

90-258

No. _____

Supreme Court, U.S.

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IN THE
Supreme Court of the United States

OCTOBER TERM, 1990

WESLO, INC.,

Petitioner,

v.

DIVERSIFIED PRODUCTS CORP., and
BROWN, FITZPATRICK, LLOYD, LTD., *et al.*,
Respondents.

**PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

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QUESTION PRESENTED

Do the doctrines of claim and issue preclusion enunciated in *United States v. Utah Construction & Mining Co.*, 384 U.S. 394 (1966), and *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), apply to a judicially affirmed finding of patent invalidity made by the U.S. International Trade Commission?

**LIST OF PARTIES WITH PARENT AND
SUBSIDIARY STATEMENT OF PETITIONER**

Pursuant to Supreme Court Rules 14.1(b) and 29.1, the parties to the proceedings below are:

a. The petitioner, WESLO, INC. of Logan, Utah, is a defendant below. The parent of WESLO, INC. is Weider Health & Fitness, Inc. of Los Angeles, California. WESLO, INC. does not have any non-wholly owned subsidiaries.

b. The respondents, DIVERSIFIED PRODUCTS CORP. of Opelika, Alabama and BROWNING FITZPATRICK LLOYD, LTD. of the United Kingdom are plaintiffs below.

c. Other respondents include the remaining defendants in the case below which was consolidated by the Judicial Panel on Multidistrict Litigation. The other defendants and respondents are: Rocket Industries, Inc.; Roadmaster, Inc.; Columbia Manufacturing Co.; Walton Manufacturing Co.; and Ajay Enterprises Corporation.

d. The following defendants below have been dismissed: Allegheny Exercise Equipment Company; Beacon Enterprises, Inc.; Billard Barbell Co.; and Saw Mill River Industries, Inc. Ajay Enterprises Corporation is also a plaintiff below in a consolidated declaratory judgment suit against DIVERSIFIED PRODUCTS CORP.

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OPINIONS BELOW

The court of appeals refused to hear the appeal by an Order attached as Appendix A. The court of appeals denied rehearing by an Order attached as Appendix B and reported at 903 F.2d 822. Under review was the opinion of the trial court published at 721 F. Supp. 596 (1989) (Appendix C) in support of its Order of August 31, 1989 (Appendix D) by which it denied a motion for summary judgment. The trial court certified its decision for immediate appeal both in the Order of August 31, 1989 and again in an Amended Order (Appendix E) supported by a Memorandum Opinion attached as Appendix F. An earlier, related opinion by the trial court appears at 616 F. Supp. 1134 (1985) and is attached as Appendix G.

JURISDICTION

The Order of the court of appeals refusing to hear the appeal was entered on April 4, 1990. App. A, 1a-2a. A timely petition for rehearing was denied on May 11, 1990. App. B, 3a-5a. Jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTES AND REGULATIONS INVOLVED

28 U.S.C. § 1338 (1982) provides in pertinent part:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

19 U.S.C. § 1337 (1990) provides in pertinent part:

(a) Unlawful activities; covered industries; definitions

(1) Subject to paragraph (2), the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section:

* * * *

(B) The importation in to the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that—

(i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under Title 17; or

(ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

- (C) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that infringe a valid and enforceable United States trademark registered under the Trademark Act of 1946.

* * *

(2) Subparagraphs (B) [and] (C) * * * of paragraph (1) apply only if an industry in the United States, relating to the articles protected by the patent, copyright, trademark or mask work concerned, exists or is in the process of being established.

* * *

(c) Determinations; review

The Commission shall determine, with respect to each investigation conducted by it under this section, whether or not there is a violation of this section, except that the Commission may, by issuing a consent order or on the basis of a settlement agreement, terminate such investigation, in whole or in part, without making such a determination. Each determination under subsection (d) or (e) of this section shall be made on the record after notice and opportunity for a hearing in conformity with provisions of subchapter II of chapter 5 of Title 5. All legal and equitable defenses may be presented in all cases. Any person adversely affected by a final determination of the Commission under subsection (d), (e), (f), or (g) of this section may appeal such determination, within 60 days after the determination becomes final, to the United States Court of Appeals for the Federal Circuit for review in accordance with chapter 7 of Title 5.

The entire text of 19 U.S.C. § 1337 (1990) is set out in Appendix J. The 1982 version of § 1337 was opera-

tive below, but is not reproduced because the 1990 amendments do not affect the issue here presented.

STATEMENT OF THE CASE

In October 1984, the respondents here, Diversified Products Corp. ("DP") and Brown Fitzpatrick Lloyd, Ltd. ("BFL"), filed a patent infringement action under 28 U.S.C. § 1338(a) against petitioner WESLO, INC. ("WESLO") in the United States District Court for the District of Utah. At the same time, DP and BFL filed nine other similar patent infringement suits in various United States district courts throughout the country. All the actions asserted infringement under 35 U.S.C. § 271 of U.S. Patent No. 4,477,071 (issued October 16, 1984) for a "Convertible Rowing Exercising Apparatus" ("the '071 patent"). The original cases and a declaratory judgment case involving the '071 patent were thereafter transferred to the United States District Court for the District of Delaware by the Judicial Panel on Multidistrict Litigation, and consolidated for pretrial proceedings.¹

On December 5, 1984—essentially simultaneously with the district court actions—DP filed a complaint with the United States International Trade Commission ("ITC") pursuant to 19 U.S.C. § 1337. The complaint named WESLO as a defendant and led to a formal

¹ The case below is styled IN RE CONVERTIBLE ROWING EXERCISER PATENT LITIGATION. The defendants below are Ajay Enterprises Corporation, Columbia Manufacturing Company, Roadmaster, Inc., Rocket Industries, Inc., Walton Manufacturing Company, and Weslo, Inc. In addition, other consolidated suits under the '071 patent have been dismissed against Allegheny International Exercise Company, Beacon Enterprises, Inc., Saw Mill River Industries, and Billard Barbell Company, because these parties have proceeded under the bankruptcy laws (11 U.S.C. § 101, et. seq.). Other later-filed suits involving related U.S. Patent 4,488,719 were also transferred and consolidated. However, all suits under U.S. Patent 4,488,719 now stand dismissed.

investigation by the ITC of DP's allegations that WESLO was committing acts of unfair trade practice in violation of § 1337 by importing goods which infringed the '071 patent. WESLO responded to the complaint by asserting, *inter alia*, that the '071 patent was invalid and not infringed.²

After extensive discovery and substantial pretrial activity,³ a ten-day trial was held commencing on August 12, 1985. At the trial, nearly 1,000 exhibits were offered along with testimony from over twenty (20) witnesses. The transcript exceeded 3,000 pages. In short, the issues were as fully litigated as if the parties had been in the district court.

At the conclusion of trial, the Administrative Law Judge ("ALJ") entered an Initial Determination ("ID") dated October 18, 1985, in which he found that the '071 patent was invalid as anticipated and obvious.⁴ The ID is 290 pages in length and includes a statement of the procedural history of the case, over six hundred findings of fact, as well as a 96-page opinion, conclusions of law and an order.⁵

DP petitioned to the full ITC for review of the ALJ's decision. The Commission reviewed the ID and reversed the ALJ's conclusion of anticipation, but sustained the ALJ on all other grounds. The pertinent Commission

² The petitioner WESLO was the only fully active defendant before the ITC. It vigorously defended and was the prevailing party.

³ For example, over 90 motions were filed and over 20 depositions were taken.

⁴ All other defenses raised by WESLO were disallowed so that the only basis for the ALJ's decision and the subsequent ITC decision (App. I, *infra*) was invalidity of the '071 patent.

⁵ In view of its size and to minimize printing costs, ten (10) copies of the ID have been lodged with the Clerk of the Court for use by the Court.

Action and Order is appended as Appendix H. As a result, the determination that WESLO had not violated § 1337 was upheld on the grounds that the '071 patent was obvious and therefore invalid.

DP thereafter appealed to the United States Court of Appeals for the Federal Circuit. After full briefing and oral argument, the Federal Circuit affirmed the ITC decision that the '071 patent is invalid in an unpublished opinion dated June 17, 1987, attached as Appendix I. DP subsequently filed a petition for rehearing and rehearing *en banc*. The petitions were denied without opinion.

While the ITC case proceeded, the consolidated cases in Delaware were stayed by stipulation. After losing in the ITC, DP turned again to the civil suits consolidated in Delaware, seeking to relitigate the very same issue regarding the validity of the '071 patent that had been decided against DP and in favor of WESLO by the ITC and the Federal Circuit.

On January 27, 1988, the petitioner WESLO, on its own behalf and on behalf of the other active defendants, filed a motion for summary judgment in the Delaware district court. The motion sought a judgment of dismissal as to WESLO on grounds of issue and claim preclusion and as to all other defendants on the grounds of issue preclusion. In essence, the motion sought to preclude DP from relitigating the issues resolved against DP in the judicially affirmed ITC proceeding.

In response, DP and BFL argued that the district court's original jurisdiction under 28 U.S.C. § 1338(a) totally precluded the application of issue and claim preclusion doctrines.⁶ More particularly, it was asserted that the ITC would erroneously be accorded original ju-

⁶ BFL is DP's licensor; and there is no dispute that if the ITC result precludes DP, it also precludes BFL.

risdiction under 28 U.S.C. § 1338(a) if its decisions were given res judicata and collateral estoppel effect.

On August 31, 1989, the Delaware district court entered an Opinion (App. C, 6a-21a) and Order (App. D, 22a) denying summary judgment. The Order was later amended (App. E, 23a-24a) with a supporting Opinion (App. F, 25a-26a). In the Opinion of August 31, 1989, the trial court conceded that its refusal to apply the doctrines of claim and issue preclusion would result in "prudential as well as practical problems," including inter-circuit conflicts, disruption of legitimate economic expectations, erosion of the principle of finality, and disregard for the decisions of this Court, specifically *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), and *United States v. Utah Construction & Mining Co.*, 384 U.S. 394 (1966). App. C, 10a-11a. Nevertheless, the district court felt that previous dicta from the Federal Circuit, based on a brief passage from the legislative history of § 1337, constrained it from according the judicially affirmed ITC findings any preclusive effect. App. C, 19a-20a. The district court, however, certified its order for immediate appeal pursuant to 28 U.S.C. § 1292(b). App. D, 22a; App. E, 23a-24a. The Federal Circuit subsequently declined to hear the appeal (App. A, 1a-2a) and denied rehearing of that decision by an Order reported at 903 F.2d 822 (App. B, 3a-5a).

WHY THE WRIT SHOULD BE GRANTED

As noted by the trial court, this case involves "the emerging patent litigation strategy of 'testing the water' on patent validity" in one forum, the ITC, with a subsequent second try in another forum, the federal district court. App. C, 6a. This "litigation strategy" runs counter to well-established decisions of this Court and policies of Congress.⁷ DP fully and exhaustively litigated before the ITC and the Federal Circuit, and it lost. DP now seeks to relitigate the very same issue in the lower federal courts against WESLO as well as others. Immediate review is necessary to preserve the petitioner's right to repose embodied in the long-established preclusion doctrines of *res judicata* and collateral estoppel.

I. THE DECISION BELOW IS CONTRARY TO THIS COURT'S LONG-ESTABLISHED RULE APPLYING COLLATERAL ESTOPPEL AND RES JUDICATA

The district court and the Federal Circuit refused to accord a judicially-affirmed ITC decision any preclusive effect. App. C, 20a-21a; App. B, 4a-5a. This refusal totally disregards the principles set down by this Court in the landmark decisions of *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971) and *United States v. Utah Construction and Mining Co.*, 384 U.S. 394 (1966).

In *Blonder-Tongue*, this Court firmly established that once a patent has been held invalid, the patent owner is thereafter precluded from relitigating the validity of the

⁷ See *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, *infra*; 28 U.S.C. § 1407(a) (1982) (Multidistrict Litigation) ("promote the just and efficient conduct of such actions"); S. Rep. 275, 97th Cong., 2d Sess., reprinted in 1982 U.S. Code Cong. & Ad. News, 11, 15 (Federal Courts Improvement Act of 1982 Pub. L. No. 97-164) ("reduce the forum shopping that is common to patent litigation.")

patent so long as the patent owner had a full and fair opportunity to litigate in the prior proceeding.⁸ 402 U.S. at 350. The *Blonder-Tongue* decision has been widely cited and followed.⁹ In *United States v. Utah Construction & Mining Co.*, *supra*, 384 U.S. at 421-22, this Court held that findings of federal agencies are to be given preclusive effect where, as here, the agency acted in a judicial capacity. As stated by this Court:

when an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply *res judicata* to enforce repose. 384 U.S. at 422.

These well-established principles mandate straightforward application of preclusion doctrine to terminate the pending proceedings in the district court.

This Court has long recognized the pressing judicial interests supporting the principles of *res judicata* and

⁸ Notably, *Blonder-Tongue* abandoned the need for mutuality of estoppel in the application of collateral estoppel. 402 U.S. at 327. However, this somewhat controversial aspect of *Blonder-Tongue* is not at issue here because the mutuality rule is satisfied: the parties are the same; and the issues to be litigated are the same. Thus, the preclusion doctrines enunciated in *Blonder-Tongue* are plainly applicable here.

⁹ See also *Allen v. McCurry*, 449 U.S. 90, 95 (1980); *Parklane Hosiery Co. Inc. v. Shore*, 439 U.S. 322, 326 (1979); *Mississippi Chem. Corp. v. Swift Agricultural Chem. Corp.*, 717 F.2d 1374, 1376-79 (Fed. Cir. 1983); *MGA, Inc. v. General Motors Corp.*, 827 F.2d 729, 735 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1009 (1988); *Molinaro v. Fannon/Courier Corp.*, 745 F.2d 651, 655 (Fed. Cir. 1984); *Dana Corp. v. NOK, Inc.*, 882 F.2d 505, 507 (1980); *Sampson v. Ampex Corporation*, 478 F.2d 339, 341-42 (2d Cir. 1973); *Carter-Wallace, Inc. v. United States*, 496 F.2d 535, 537-542 (Ct. of Cl. 1974) (estopped party chose prior forum); *Kaiser Industries, Inc. v. Jones & Laughlin Steel Corp.*, 515 F.2d 964, 966 (3d Cir. 1975); Chisum, *Patents* § 19.02[2], pages 19-21 to 19-26 (Rev. 1980).

collateral estoppel. There is no recognized tenet of law or equity which "sanctions the rejection by a federal court of the salutary principles of *res judicata*." *Federated Department Stores, Inc. v. Moitie*, 452 U.S. 394, 401 (1981), citing *Heiser v. Woodruff*, 327 U.S. 726, 733 (1946). The doctrines serve the "dual purpose of protecting litigants from the burden of relitigating an identical issue with the same party . . . and of promoting judicial economy." *Parklane Hosiery Co. Inc. v. Shore*, *supra*, 439 U.S. at 826 (party losing in SEC agency dispute estopped in later civil suit). Both doctrines are "central to the purpose for which civil courts have been established, the conclusive resolution of disputes." *Montana v. United States*, 440 U.S. 147, 153 (1979), citing *Southern Pacific R. Co. v. United States*, 168 U.S. 1, 48-49 (1897).¹⁰

The practical benefits of the doctrines, moreover, include "reliev[ing] parties of the cost and vexation of multiple lawsuits, conserv[ing] judicial resources, and, by preventing inconsistent decisions, encourag[ing] reliance on adjudication." *Allen v. McCurry*, *supra*, 449 U.S. at 94 (doctrines applied to § 1983 actions). See also *Underwriters National Assurance Company v. North Carolina Life and Accident and Health Insurance Guaranty Association, et al.*, 455 U.S. 691, 706 (1982) (doctrines applied to jurisdiction and judgments of state courts under full faith and credit clause); *University of Tennessee v. Elliott*, 478 U.S. 788, 794 (1986) (doctrines applied to state agency decisions under 28 U.S.C. § 1738). "Public policy dictates that there be an end of litigation . . . where one voluntarily appears . . . and is fully heard." *Baldwin v. Iowa State Traveling Men's Ass'n*, 283 U.S. 522, 525-526 (1931). DP and BFL should be concluded by the judgment of the tribunal to which they submitted their cause. *Id.*

¹⁰ In *Montana v. United States*, *supra*, the question centered on the application of preclusion doctrines based on prior state court proceedings.

In this case, the district court found that DP and its privy BFL had a full and fair opportunity to litigate the validity of the '071 patent. App. C, 13a. The ITC was acting in a judicial capacity when it found the '071 patent invalid. App. C, 14a; App. E, 31a. Even a cursory review of the Initial Determination (ID) of the Administrative Law Judge lodged with the Clerk of this Court and the subsequent Commission Action and Order (App. H) reveals the judicial nature of the proceedings. Moreover, the decision of the ITC was reviewed and affirmed by an Article III court. Indeed, the trial court determined that all the criteria specified by *Blonder-Tongue* and *Utah Construction* were met. App. C, 13a-14a. Therefore, to subject petitioners to a second suit on that same patent is unjust, unfair and outrageous. *Kremer v. Chemical Construction Corp.*, 456 U.S. 461, 480-481, n. 21 (1982) ("it is well established that judicial affirmance of an administrative determination is entitled to preclusive effect").¹¹

The trial court's decision, therefore, is simply wrong and the refusal of the appellate court to consider the case, in effect and even in substance (App. B, 4a), erroneously affirms the trial court decision. The Court must grant review to assure continued adherence to *Blonder-Tongue* and *Utah Construction* and the long-established rules of *res judicata* and collateral estoppel.

¹¹ A long line of cases has consistently applied this rule. *Ciba Corporation v. Weinberger*, 412 U.S. 640, 643 (1973) (the tactic of reserving threshold question of jurisdiction of FDA not tolerated and litigant barred from raising issue in later proceedings); *University of Tennessee v. Elliott*, *supra*, 478 U.S. at 797-798 (state administrative agency decisions made in judicial capacity to be given issue preclusive effect); *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375, 377-78 (7th Cir. 1984) (judicially affirmed decision of the Patent Office given collateral estoppel effect). As the Seventh Circuit observed, with *Utah Construction* "leading the way," the courts have continued to give preclusive effect to agency decisions. *Bowen v. United States*, 570 F.2d 1311, 1321 (7th Cir. 1978).

II. ABSENT IMMEDIATE REVIEW, THE PETITIONER EFFECTIVELY WILL BE DENIED THE BENEFITS OF ESTABLISHED PRECLUSION DOCTRINES

Blonder-Tongue and *Utah Construction* mandate termination of the case pending below on the basis of the judicially reviewed ITC decision. This result avoids the burdens and expenses of a second trial, as well as the risk that WESLO will be a victor in one forum and a loser in another (with the consequent and absurd result that the '071 patent would be valid for some purposes but invalid for others). Immediate review by this Court is necessary to preserve the benefits of established preclusion doctrines for petitioner as well as for the courts.¹²

Absent immediate review, WESLO will be irreparably harmed. Should review be denied, a second trial will be required on matters already resolved in another forum. If WESLO prevails at that second proceeding, the preclusion question presented here will be moot and WESLO will thereby have been denied its benefit.¹³ If, by contrast, WESLO loses at trial, but successfully advances the preclusion doctrine on appeal, WESLO nonetheless will have been deprived of the benefit of those doctrines. In either event, WESLO will be required to carry the burden of litigation and spend the associated hundreds of thousands of dollars in fees and costs. Further, WESLO will be exposed to lost business, lost profits, and lost business reputation as DP, its competitor, exploits the continuation of this dispute in the marketplace to persuade customers to not deal with WESLO. In short, absent review, WESLO and the courts will be denied the very

¹² Although petitioner WESLO above seeks review, it is likely that review will govern all of the consolidated proceedings and that at least five other trials will be avoided as well.

¹³ See *Stack v. Boyle*, 342 U.S. 1 (1951) (interlocutory orders involving bail are immediately reviewable because a subsequent trial moots the bail issue).

benefits that preclusion doctrines envision, even if petitioner's claim is later sustained on appeal. Therefore, review is plainly warranted to avoid this outrageous result.

Although not directly on point, the case of *Mitchell v. Forsyth*, 472 U.S. 511 (1985) is instructive. In that case, Attorney General John Mitchell sought immunity from suit for wiretaps undertaken for national security. The benefits of the immunity claimed by John Mitchell included relief from the costs of trial and the burdens of discovery. 472 U.S. at 526. This Court concluded that denial of a claim of immunity, like the denial of a claim of former jeopardy, warranted immediate review because such claims "cannot be vindicated after the trial has occurred." 472 U.S. at 525.¹⁴

Identical reasoning mandates review here. Established preclusion doctrines, like immunity doctrines, are a direct civil law analogy to a claim of former jeopardy. See n. 14, *supra*. WESLO's right to be immune from further suit and be protected from a multiplicity of proceedings and inconsistent obligations cannot be vindicated after a second trial. Immediate review is necessary to preserve this right.

III. THE LOWER COURTS' DENIAL OF PRECLUSION CONFLICTS WITH ESTABLISHED LAW

The district court declined to apply established preclusion doctrines because it reasoned that 28 U.S.C. § 1338(a) places original and exclusive jurisdiction over patent matters in the federal district courts and there-

¹⁴ See also *Abney v. United States*, 431 U.S. 651 (1977) (pretrial order denying motion to dismiss on grounds of former jeopardy is subject to immediate review); *Helstoski v. Meanor*, 442 U.S. 500 (1979) (pretrial order denying motion to dismiss on grounds of congressional immunity is subject to immediate review); *Nixon v. Fitzgerald*, 457 U.S. 731 (1982) (interlocutory denial of claim of executive privilege is subject to immediate review).

fore application of those doctrines would be contrary to the statute. The district court also based its decision on the legislative history of the Trade Reform Act of 1974. The appellate court, in turn, relied on several of its cases in which the question presented here was addressed briefly in dicta. Each of the grounds relied upon by the lower courts in refusing to apply the preclusion doctrines, however, is unsound and in total conflict with the decisions of this Court.

A. 28 U.S.C. § 1338(a) Does Not Prevent Application of Issue and Claim Preclusion

The undisputed fact that district courts possess original jurisdiction over patent disputes exclusive of state courts does not negate the preclusive effect of a judicially affirmed finding of patent invalidity by the ITC. A district court, prior to proceeding with litigation of a matter previously resolved by the ITC, must exercise its original jurisdiction under 28 U.S.C. § 1338(a). However, in doing so, it is limited under the preclusion doctrines to an examination of the facts and circumstances of the prior adjudication to determine whether there was a full and fair opportunity to litigate, and to consider any other showing why the patent owner should not be estopped by the preclusion doctrines. *Blonder-Tongue, supra*; *Utah Construction, supra*.

Indeed, precisely because of the foregoing, state court judgments resolving patent questions are routinely accorded preclusive effect. *Becher v. Contoure Laboratories, Inc.*, 279 U.S. 388 (1929) (state court judgment given preclusive effect in a subsequent patent infringement action); *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255 (1897) (well established that any defense which goes to the validity of the patent is available in the state courts).¹⁵ Thus, the fact that federal courts have

¹⁵ See also *Marrese v. American Academy of Orthopaedic Surgeons*, 470 U.S. 373 (1985) (state court judgment may have pre-

"exclusive" jurisdiction over patent cases does not deprive the determinations of another tribunal which properly reaches a patent question of preclusive effect.

The lower court's attempt to reframe the preclusion issue as a conflict between jurisdictional statutes of the district court and the ITC (App. C, 14a-15a) is simply flawed. There is no conflict because the question is whether the district court should apply the doctrines of issue and claim preclusion, *in the proper exercise of its original jurisdiction*, based on a prior determination of the ITC. The application of the doctrines of issue and claim preclusion will not transfer any jurisdictional authority to consider patent cases under 28 U.S.C. § 1338 to the ITC; and it does not convert the ITC to an entity which has § 1338 jurisdiction.¹⁶

clusive effect in a subsequent federal suit involving federal anti-trust claims that could not have been raised in the state proceeding); *MGA, Inc. v. General Motors Corp.*, *supra*, 827 F.2d at 731-735 (relitigation of the issue of patent infringement in a district court action is precluded by a prior state court judgment of noninfringement); *Vanderveer v. Erie Malleable Iron Co.*, 288 F.2d 510 (3d Cir. 1956), *cert. denied*, 353 U.S. 937 (1957).

¹⁶ One group of commentators has observed that federal court judgments are binding even though the first court lacked subject matter jurisdiction and that the same probably holds true for other federal tribunals, such as administrative agencies. 18 C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure: Jurisdiction* § 4428 at 282 (1981). Moreover, citing this Court's decision in *Sunshine Anthracite Coal Co. v. Adkins*, 310 U.S. 381, 403 (1940), these same commentators have noted that "[a]n assertion of jurisdiction by an administrative tribunal is likely to be treated in the same way as an assertion by a court *if the decision has been subjected to judicial review.*" 18 C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure: Jurisdiction* § 4428 at 282 n.29 (emphasis added). See also: *Kremer v. Chemical Construction Corp.*, *supra*, 456 U.S. at 482; *Restatement (Second) of Judgments* § 83, Adjudicative Determination by Administrative Tribunal; K. Davis, *Administrative Law Treatise* § 21:3 Res

The recent case of *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800 (1988) is instructive, though not directly on point. In that case, the trial court passed on patent questions en route to a decision on antitrust claims. On appeal, the Seventh Circuit construed 28 U.S.C. §§ 1295 and 1338 as conferring exclusive jurisdiction on the Federal Circuit because of the patent question involved, and accordingly transferred the case to the Federal Circuit. The Federal Circuit disagreed. This Court agreed with the Federal Circuit and held that the Federal Circuit's exclusive jurisdiction over patent appeals *did not* bar other appellate tribunals from considering patent questions in resolving claims or cases properly before it. The *Colt* case thus teaches that one tribunal, the Seventh Circuit, in addressing claims properly before it, can resolve patent *questions* without transgressing the exclusive patent *jurisdiction* of the Federal Circuit. It follows also that the jurisdiction of both forums is not eroded, transferred or undermined. In the same vein, application of issue and claim preclusion doctrines to this case will not erode, transfer or undermine the jurisdiction of the federal courts or place the jurisdiction of the federal courts in conflict with that of the ITC.¹⁷

Judicata (2d Ed., Vol. 4, 1983); B. Mezines, J. Stein and J. Gruff, *Administrative Law* § 40.01 Res Judicata and Collateral Estoppel (Rev. Vol. 5, 1982).

¹⁷ It should be noted that appeals from the ITC and from the federal district courts are now both taken by the United States Court of Appeals for the Federal Circuit. 28 U.S.C. § 1295. Congress hoped to produce uniformity in the patent law and discourage forum shopping. S. Rep. No. 275, 97th Cong., 2d Sess., *supra*, at 15. Neither policy will be served if the decision below is not reviewed and reversed.

B. The Legislative History of § 1337 Does Not Prevent Application of Preclusion Doctrines

The Federal Circuit has asserted, in dicta, that an ITC determination of patent validity "does not estop fresh consideration by other tribunals." *Tandon Corp. v. United States Int'l Trade Comm'n*, 831 F.2d 1017, 1019 (Fed. Cir. 1987).¹⁸ This dicta, in turn, is based on the legislative history of the Trade Reform Act of 1974, which modified 19 U.S.C. § 1337 to its present form. The legislative history of § 1337, however, simply does not prevent application of preclusion doctrine here.

Section 1337 (App. J) *has no language which addresses the preclusive effect of ITC decisions*. Not one word suggests or implies that such a fundamental doctrine is not applicable. The statute is silent even though in hearings before the United States Senate Finance Committee in 1974 leading up to the enactment of the 1974 Trade Reform Act by which the ITC obtained authority to consider patent invalidity defenses, it was sug-

¹⁸ Notably, *Tandon Corp. v. United States Int'l Trade Comm'n*, *supra*, does not cite *Blonder-Tongue v. University of Illinois Foundation*, *supra*, *United States v. Utah Construction and Mining Co.*, *supra*, or any other authorities pertaining to the doctrine of issue preclusion. Similarly, none of the other cases relied upon by the Federal Circuit (App. B, 11a) discuss these landmarks cases or other pertinent authorities involving issue preclusion. See *Lannom Mfg. Co. Inc. v. United States Int'l Trade Comm'n*, 799 F.2d 1572, 1578-79 (Fed. Cir. 1986) (The ITC did not have jurisdiction to unilaterally determine validity absent the presentment of such a defense by a party); *Texas Instruments Inc. v. United States Int'l Trade Comm'n*, 851 F.2d 342 (Fed. Cir. 1988) (patent invalidity decision of ITC and appeal dismissed as moot because patent expired); *Corning Glass Works v. United States Int'l Trade Comm'n*, 799 F.2d 1559, 1570, n.12 (Fed. Cir. 1986) (Commission action upheld on grounds not involving patent issues; res judicata effect of ITC decisions NOT ADDRESSED but identified as an issue not reached in footnote 12).

gested that the decisions of the ITC may become binding.¹⁹ Furthermore, there was testimony before Congress that the judicially affirmed patent decisions of the ITC would be accorded the same preclusive effect afforded patent decisions of state courts.²⁰

On the other hand, two sentences of a related Senate Finance Committee Report at first blush mitigate against the application of the preclusion doctrines. S. Rep. No. 1298, 93d Cong. 2d Sess. 193, 196 (1974), *reprinted in* 1974 U.S. Code Cong. & Admin. News 7186, 7329 states that:

The Commission's findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action by a Federal Court should not have a *res judicata* or collateral estoppel effect in cases before such courts.

¹⁹ A written proposal was submitted to the committee having an entire section addressing the estoppel effect of future decisions and recommending language to prevent application of *res judicata* and collateral estoppel to judicially affirmed ITC decisions. Trade Reform Act of 1973, Hearings Before The Committee on Finance of the United States Senate, 93d Congress, 2d Sess., 1999-2013 at 2002, lines 24-34, at 2012, lines 13 *et. seq.* However, the proposal was not accepted. (The 1973 Trade Reform Act later became the 1974 Act.)

²⁰ In hearings before the House Ways and Means Committee, a witness submitted a written statement regarding validity decisions of the ITC that:

The Tariff Commission (ITC) report or finding on validity should have no more influence in a federal district court . . . than presently a state court's opinion on validity would have on a federal district court.

Trade Reform Hearings Before the Committee On Ways and Means, House of Representatives, 93d Congress, First Session on H.R. 6767, the Trade Reform Act of 1973, 1588-1590, at 1599-90. The statement expressly recognized that such action by the ITC would not impinge on the exclusive jurisdiction of the federal district courts. *Id.* See also the text accompanying footnote 15, *supra*.

However, these comments are simply not controlling.²¹

Prior to 1974, the ITC was without jurisdiction to consider the validity of the patents before it. The Trade Reform Act of 1974 changed this by expressly authorizing the ITC to consider "all legal and equitable defenses" brought before it.²² 19 U.S.C. § 1337(c). In making this change, Congress expressly endorsed the ITC's capacity to rule on patent validity questions but did not adopt statutory language limiting the applicability of such decisions.²³ Thus, the legislative history of the 1974 amendment states that, "[t]he Commission may (*and should when presented*) . . . review the validity and enforceability of patents." S. Rep. No. 1298, 93d Cong. 2d Sess. 193, 196 (1974) *reprinted in* 1974 U.S. Code Cong. & Admin. News 7186, 7329 (emphasis added).

In 1982, judicial review of ITC determinations changed dramatically with the creation of the Federal Circuit.²⁴ That court was given exclusive jurisdiction to

²¹ The Federal Circuit cases which have suggested that ITC patent decisions should not be given preclusive effect premise their position solely on these two sentences. For example, in *Corning Glass Works v. United States Int'l Trade Comm'n*, *supra*, 799 F.2d at 1570, n.12, the court merely noted the existence of the argument based only on two sentences out of the legislative history. Also, in *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42 (2d Cir. 1985), ITC trademark decisions were given preclusive effect with a comment in dicta that ITC patent decisions would not be. Here again, the court referenced only the two sentences out of the legislative history of the 1974 amendment.

²² For a detailed review of the origins of the Trade Act of 1974, see *Lannom Mfg. Co., Inc. v. United States Int'l Trade Comm'n*, *supra*, 799 F.2d at 1576-78.

²³ See footnote 19.

²⁴ Prior to 1982, the Court of Customs and Patent Appeals ("C.C.P.A.") had jurisdiction to review ITC determinations. However, the C.C.P.A. had no appellate jurisdiction to hear appeals from district court decisions in patent cases. Such decisions were

hear appeals from ITC decisions²⁵ and appeals from all district courts in cases arising under the patent statute.²⁶ The primary objective behind the creation of the Federal Circuit was to generate consistent jurisprudence and a uniform body of patent law.²⁷ All appeals in patent cases were thereafter to be determined by a single appellate body. This indeed was a profound change in the fundamental structure for judicial review of patent cases.²⁸ The Senate Finance Committee could not have known in 1974 that review of all patent issues, regardless of their jurisdictional origin, would one day be resolved by a single body created for the very purpose of achieving uniformity in patent law.

One group of commentators considered the change effected by the creation of the Federal Circuit and concluded that the change relegated the 1974 Senate Committee comments to the arena of historic interest only. They reasoned that the Federal Circuit and district courts will follow this Court's clear direction in *Utah Construction* that agency decisions be given preclusive effect:

reviewed by each of the several circuit courts of appeals. S. Rep. No. 275, 97th Cong., 2d Sess., Federal Courts Improvement Act, Pub. L. 79-164, reprinted in 1982 U.S. Code Cong. & Admin. News, 11.

²⁵ 19 U.S.C. § 1337(c).

²⁶ 28 U.S.C. § 1338(a) and 28 U.S.C. § 1295(a).

²⁷ *South Corp. v. United States*, 690 F.2d 1368, 1370-71 (Fed. Cir. 1982); see footnote 24, *supra*.

²⁸ Just as it is appropriate when construing a statute to consider circumstances when the statute was enacted, *Callejas v. McMahon*, 750 F.2d 729, 731 (9th Cir. 1984), a court must also consider significant changes that have occurred since that time. *Perry v. Commerce Loan Co.*, 383 U.S. 392, 399 (1966). Thus, it is essential to consider the 1974 legislative history in the context of the enactment in 1982 of the legislation establishing the Federal Circuit.

This change in the jurisdiction of the reviewing court to the Commission in § 337 cases would seem to affect the status of appeals from such cases since the Committee Report (Senate Finance Committee Report on the Trade Act of 1974) does not appear to have been addressing the present status and jurisdiction of the ITC reviewing court.

Furthermore, based on the Supreme Court decision in *United States v. Utah Construction and Mining Co.*, 384 U.S. 394 (1966), and the recent CAFC decisions in the area of issue and claim preclusion, the CAFC and/or the district courts may soon use the principles of collateral estoppel under certain circumstances in the patent-based § 337 decisions.²⁹

H. Kaye, P. Plaia & M. Hertzberg, *International Trade Practice*, § 11.19 at 1S-98 (Supp. 1986).

Although not aware in 1974 that one day both ITC and district court decisions on patent validity would be reviewed by the same tribunal, Congress clearly authorized the ITC to rule on patent validity questions. In such circumstances, it is improper to give persuasive weight to only two sentences in the legislative history of a statute which has no language addressing the doctrines of issue and claim preclusion and their applicability. This is particularly so because the 1971 *Blonder-Tongue* decision of this Court unequivocally speaks in favor of the application of the doctrine of issue preclusion in patent cases. *Burlington Northern Railroad Company v. Oklahoma Tax Commission*, 481 U.S. 454, 461 (1987) (statutory language conclusive); *Pierce v. Underwood*, 487 U.S. 552, 566-568 (1988) (legislative history not controlling).

²⁹ The term CAFC refers to the Court of Appeals for the Federal Circuit.

CONCLUSION

The petition for a writ of certiorari should be granted. Indeed, the issue involved is so clear, the Court may wish to consider summary reversal.

Respectfully submitted,

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APPENDICES

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APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT

Miscellaneous Docket No. 268

IN RE CONVERTIBLE ROWING
EXERCISER PATENT LITIGATION

ON PETITION FOR PERMISSION TO APPEAL

Before ARCHER, *Circuit Judge*, BALDWIN, and BEN-
NETT, *Senior Circuit Judges*.

ARCHER, *Circuit Judge*.

[Filed April 4, 1990]

ORDER

Ajay Enterprises Corporation, et al. petition for permission to appeal the October 2, 1989 order of the United States District Court for the District of Delaware certified for immediate appeal pursuant to 28 U.S.C. § 1292(b), (c). Diversified Products, Corp., et al. oppose the petition. Ajay moves for leave to file a reply.

By way of background, in an earlier International Trade Commission proceeding, the ITC determined that there was no 19 U.S.C. § 1337 violation on the ground that Diversified's patent was invalid. This court affirmed the no violation determination.

In this multi-district litigation, Ajay and others moved for summary judgment of patent validity on the grounds

of issue and claim preclusion. The district court denied the motion for summary judgment, certified its order of denial for immediate appeal, and stayed the district court action.

Pursuant to 28 U.S.C. § 1292, this court has the discretion to grant or deny petitions for permission to appeal. Here, we determine to deny the petition.

IT IS ORDERED THAT:

- (1) Ajay's petition is denied.
- (2) Ajay's motion for leave to file a reply is denied.

FOR THE COURT

/s/ Glenn L. Archer, Jr.
GLENN L. ARCHER, JR.
Circuit Judge

Date April 4, 1990

cc: Richard A. Kaplan, Esq.
Alan I. Cantor, Esq.

APPENDIX B

UNITED STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT

Miscellaneous Docket No. 268

IN RE CONVERTIBLE ROWING
EXERCISER PATENT LITIGATION

PETITION FOR REHEARING

Before ARCHER *Circuit Judge*, BALDWIN and BENNETT, *Senior Circuit Judges*.

ARCHER, *Circuit Judge*.

[Filed May 11, 1990]

ORDER

Ajay Enterprises Corporation, et al. (Ajay) has petitioned for rehearing and suggested *in banc* consideration¹ of the court's April 4, 1990 order denying their petition for permission to appeal pursuant to 28 U.S.C. § 1292 (b), (c).

Ajay's petition for rehearing is frivolous. First, as the legislative history of 28 U.S.C. § 1292(b) makes clear:

The granting of the appeal is also discretionary with the court of appeals which may refuse to entertain such an appeal in much the same manner that

¹ Only the petition for rehearing is before this panel.

the Supreme Court today refuses to entertain applications for writs of certiorari.

It should be made clear that if application for an appeal from an interlocutory order is filed with the court of appeals, the court of appeals may deny such application without specifying the grounds upon which such a denial is based. It could be based upon a view that the question involved was not a controlling issue. It could be denied on the basis that the docket of the circuit court of appeals was such that the appeal could not be entertained for too long a period of time. But, whatever the reason, the ultimate determination concerning the right of appeal is within the discretion of the appropriate circuit court of appeals.

S. Rep. No. 2434, 85th Cong. 2d Sess. 3, 4, *reprinted in* 1958 U.S. Code Cong. & Admin. News 5255.

Further, this court has on four occasions considered the question of law involved in Ajay's petition.² See *Texas Instruments, Inc. v. U.S. Int'l Trade Comm'n*, 851 F.2d 342, 7 USPQ 2d 1509 (Fed. Cir. 1988); *Tandon Corp. v. U.S. Int'l Trade Comm'n*, 831 F.2d 1017, 4 USPQ 2d 1283 (Fed. Cir. 1987); *Lannom Mfg. Co., Inc. v. U.S. Int'l Trade Comm'n*, 799 F.2d 1572, 231 USPQ 32 (Fed. Cir. 1986); *Corning Glass Works v. U.S. Int'l Trade Comm'n*, 799 F.2d 1559, 230 USPQ 822 (Fed. Cir. 1986). Moreover, these decisions were re-

² The question of law as set forth by the United States District Court for the District of Delaware is:

whether the determination of the ITC invalidating the '071 patent, affirmed by the Court of Appeals for the Federal Circuit ("Federal Circuit"), made relative to a determination that no violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337 (1982)) occurred, should be given preclusive effect in this Court despite the grant of original jurisdiction over patent matters placed in the District Courts under 28 U.S.C. § 1338 (1982).

ferred to and discussed by Diversified Products Corp. in its thorough and well-written opposition to Ajay's petition for permission to appeal.

Accordingly,

IT IS ORDERED THAT:

Ajay's petition for rehearing is denied.

Date 5/11/90

/s/ Glenn L. Archer, Jr.
GLENN L. ARCHER, JR.
Circuit Judge

APPENDIX C

UNITED STATES DISTRICT COURT
D. DELAWARE

No. Misc. 85-14

IN RE CONVERTIBLE ROWING
EXERCISER PATENT LITIGATION

Aug. 31, 1989

Same as 12 USPQ 2d 1275

OPINION

LONGOBARDI, Chief Judge.

This opinion addresses an issue of first impression raised in a summary judgment motion by Defendants Ajay Enterprises Corporation and Weslo, Inc. in a dispute involving the alleged validity and infringement of U.S. Patent No. 4,477,071 (the "'071 patent"). The ultimate determination of the issue may affect the emerging patent litigation strategy of "testing the water" on patent validity, enforceability and infringement issues¹ before the International Trade Commission ("ITC"). The precise question before the Court is whether the determination of the ITC invalidating the '071 patent, affirmed by the Court of Appeals for the Federal Circuit ("Fed-

¹ See, e.g., Shearson Lehman Hutton, "Current Comments on Health Care" (Oct. 24, 1988) (discussing litigation strategy of first pursuing patent validity determination at ITC as opposed to District Courts because ITC proceedings have shorter life-span).

eral Circuit"),² made relative to a determination that no violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337 (1982)) occurred, should be given preclusive effect in this Court despite the grant of original jurisdiction over patent matters placed in the District Courts under 28 U.S.C. § 1338 (1982).³

BACKGROUND

In October, 1984, nine separate patent infringement actions were instituted in districts throughout the country. The Judicial Panel on Multidistrict Litigation thereafter referred to this District the original cases and four more cases involving the '071 patent. The cases are now consolidated for pretrial proceedings. Plaintiffs are Diversified Products Corporation ("DP") and Brown Fitzpatrick Lloyd Ltd. ("BFL"). The Defendants, each named in one of the actions, are Ajay Enterprises Corporation ("Ajay"), Allegheny International Exercise Company ("Allegheny"), Beacon Enterprises, Inc. and Saw Mill River Industries ("Beacon/Saw Mill"), Billard Barbell Company ("Billard"), Columbia Manufacturing Company ("Columbia"), Roadmaster, Inc. ("Roadmaster"), Rocket Industries, Inc. ("Rocket"), Walton

² *Diversified Products Corp. v. United States Intern. Trade Com'n*, 824 F.2d 980 (Fed. Cir. 1987).

³ The question is one of first impression because of the relatively recent passage of the Federal Courts Improvements Act of 1982, Pub. L. No. 97-164, § 160(a)(5), 96 Stat. 48, 163(a), 96 Stat. 49. Previously, decisions of federal District Courts on patent matters were appealed to the Court of Appeals in the Circuit of that District Court. Decisions of the ITC were appealed to the United States Customs and Patent Appeals ("CCPA"). 19 U.S.C. § 1337 (1976) (no longer in effect after passage of Federal Courts Improvement Act). Now, decisions of District Courts on patent questions and all decisions of the ITC are appealed to the Federal Circuit. 28 U.S.C. § 1292(c)(2) (1982 & Supp. II 1984) (patent appeals to Federal Circuit from District Court); 19 U.S.C. § 1337 (1982 & Supp. II 1984) (appeals of ITC determinations must be taken to Federal Circuit).

Manufacturing Company ("Walton") and Weslo, Inc. ("Weslo").⁴

On December 5, 1984, DP filed a Complaint with the ITC pursuant to 19 U.S.C. § 1337 (1982). The complaint was amended twice. The Second Amended Complaint alleged that Defendant Weslo committed acts of unfair trade practice in violation of section 337 by importing goods that infringe the '071 patent. Weslo responded to the Complaint by asserting, *inter alia*, that the '071 patent was invalid and not infringed.⁵

The Administrative Law Judge ("ALJ"), after concluding all other aspects of an unfair trade practice had been established, held that the invention of the '071 patent was anticipated and obvious in view of the prior art Beacon 3002 rowing machine. On review, the full Commission reversed the ALJ's conclusion of anticipation but sustained the ALJ on all other grounds. *In the Matter of Certain Convertible Rowing Exercisers*, ITC Investigation No. 337-TA-212 (1985). DP appealed to the Federal Circuit for review of the obviousness finding of the ITC. The Federal Circuit in an unpublished opinion dealt exclusively with the obviousness issue. The appellate court affirmed the determination by the ITC that the '071 patent was invalid and thus no violation of section 337 occurred. *Diversified Products Corp. v. United States Intern. Trade Com'n*, 824 F.2d 980 (Fed. Cir. 1987).⁶

⁴ Defendants Allegheny, Beacon/Saw Mill and Billard have all sought protection under the Bankruptcy Code. The actions involving these parties have been dismissed because of the pending bankruptcy proceedings.

⁵ Weslo is the only Defendant common to the District Court action and the ITC proceeding and was the only active participating Defendant before the ITC.

⁶ The Beacon 3002 rower appeared as evidence in the ALJ's proceeding one month before the hearing date (Aug. 12, 1985). A Beacon official testified he demonstrated Beacon rowers in an upright position to retail buyers around 1980. Initially, no buyers or other

DISCUSSION

The Defendants argue that summary judgment on the issue of patent validity should be entered for them based upon the affirmance by the Federal Circuit of the ITC determination that the '071 patent is invalid by reason of obviousness. Obviousness is a legal conclusion based on factual determinations and not a factual determination itself. *Karlstads Mekaniska Werkstad v. ITC*, 705 F.2d 1565 (Fed. Cir. 1983). Defendants assert that the rule promulgated by the Supreme Court in *Blonder-Tongue v. University Foundation*, 402 U.S. 313, 91 S.Ct. 1434, 28 L.Ed.2d 788 (1971), bars Plaintiffs from relitigating the validity of the '071 patent. In *Blonder-Tongue*, the Supreme Court held that once a court determines a patent is invalid in a proceeding where the patent owner had a full and fair opportunity to adjudicate, the patent owner is precluded from relitigating the validity of the patent against all others. *Id.* The Supreme Court thus eliminated the mutuality requirement in the use of collateral estoppel in cases finding patent invalidity.

disinterested witnesses could corroborate these allegations. Then three days before the hearing date a former buyer for Montgomery Ward, John Kucera, came forward and testified that he witnessed a demonstration of the Beacon rower in an upright position in October, 1980. This testimony was the lynch-pin for the ALJ's decision that the Beacon 3002 rower constituted prior art.

DP also filed a lawsuit in Canada alleging infringement of its Canadian patent for the same rowing machine. The Canadian court held the Canadian patent valid and infringed. *Diversified Products Corp. and Brown Fitzpatrick Lloyd Patent Ltd. v. Tye-Sil Corp. Ltd.*, No. T-1565-85 slip op. (Fed. Ct. of Canada, Jul. 30, 1987). The Canadian court found the testimony showing the Beacon 3002 rower as prior art to be unpersuasive and adequately rebutted by evidence not used in the United States ITC proceeding. The Canadian decision was issued on July 30, 1987. The decision of the Federal Circuit affirming the ITC was issued June 17, 1987. DP argues, if given adequate time to prepare for the testimony regarding the demonstration of the Beacon 3002 rower, no court or administrative tribunal could find the '071 patent invalid.

Defendants also urge that the doctrine of “administrative *res judicata*” prevents further judicial review of the '071 patent. In *United States v. Utah Constr. Co.*, 384 U.S. 394, 86 S.Ct. 1545, 16 L.Ed.2d 642 (1966), the Supreme Court held that findings of federal agencies shall be given preclusive effect when those agencies are acting in a judicial capacity. *Id.* at 422, 86 S.Ct. at 1560. Defendants argue the ITC is a federal agency; it acted in a judicial capacity in the proceeding declaring the '071 patent invalid; therefore, the findings of the ITC in this matter should be given preclusive effect.⁷

Failure to grant preclusive effect to the Federal Circuit's affirmance of the '071 patent gives rise to prudential as well as practical problems. First, if the Court does not grant preclusive effect to the ITC determination that the '071 patent is invalid, this Court might find, as the Canadian court found with the benefit of additional evidence, that the '071 patent is not invalid.⁸ This Court then would be placed in the awkward position of dis-

⁷ Defendants make other contentions. Defendants contend that section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337 (1982) (hereinafter section 337), is not helpful to the determination of this motion because it does not mention the appropriate preclusive effect that should be accorded ITC decisions on patent validity. Moreover, according to Defendants, legislative history for section 337 should not be considered because the legislative statements occurred before the creation of the Federal Circuit in the Federal Courts Improvements Act. They contend that the substantial evidence standard of review employed by the Federal Circuit in its review of ITC decisions is identical to the standard of review of federal District Court jury verdicts, thus application of the doctrine of issue preclusion to the '071 patent decision is appropriate. Also, Defendants argue the original jurisdiction of the District Courts in patent matters should not be a determining factor because in areas where federal courts have original jurisdiction, state court decisions have been given preclusive effect pursuant to 28 U.S.C. § 1738 (1982).

⁸ The Court offers no opinion as to the merits of the substantive claim that the '071 patent is invalid.

agreeing with a Federal Circuit decision upholding the invalidity of the '071 patent and the same Court of Appeals would be asked to hear the appeal of the decision by this Court finding the '071 patent not invalid.⁹ (The implications of such circumstances need not be discussed in detail at this point.)

Unlike the prudential problems posed above, the issue posed by conflicting decisions—one finding the '071 patent invalid affirmed by the Federal Circuit and one holding the '071 patent not invalid—is a practical problem courts and commentators have addressed although not in this specific context. If preclusive effect is not granted to the determination of patent invalidity, those individuals who have relied upon the Federal Circuit's affirmance could face potential financial harm if a contrary result were reached by this Court and affirmed by the Federal Circuit. For example, individuals might invest capital in an effort to produce a product for market following a determination by the ITC and affirmance by the Federal Circuit. Then, if preclusive effect were not granted to the prior proceeding, this Court could uphold the validity of that same patent and those individuals who relied upon the seemingly final decision of the Federal Circuit affirming the ITC determination would find themselves having invested in projects which could be barred by the valid '071 patent. Both the Federal Circuit and Supreme Court have stated that it is highly desirable to apply judicial preclusion to ensure finality of litigation and thus prevent the problems raised by the above example.¹⁰ *See generally*

⁹ *See generally United States v. Mitlo*, 714 F.2d 294, 298 (3d Cir. 1983) (judgment of higher court in judicial hierarchy must be followed by lower courts in that jurisdiction); *Allegheny Gen. Hosp. v. N.L.R.B.*, 608 F.2d 965, 970 (3d Cir. 1979) (judgment of higher courts conclusive as to lower courts and leave to the lower courts "no scope for independent judgment or discretion" (quoting H.C. Black, *Law of Judicial Precedents* 10 (1912))).

¹⁰ Additional problems exist if this Court does not grant preclusive effect to the ITC determination. If the Court hears this

Blonder-Tongue, 402 U.S. at 323-50, 91 S.Ct. at 1439-53 (recognizing importance of finality of litigation, limiting litigation costs and limiting waste of court time; Court eliminated mutuality requirement in use of collateral estoppel in cases finding patent invalidity); *Montana v. United States*, 440 U.S. 147, 154, 99 S.Ct. 970, 974, 59 L.Ed.2d 210 (1979) (*res judicata* “fosters reliance on judicial action by minimizing the possibility of inconsistent decisions”); *MGA, Inc. v. General Motors Corp.*, 827 F.2d 729, 732 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1009, 108 S.Ct. 705, 98 L.Ed.2d 656 (1988) (*res judicata* and collateral estoppel “relieve parties of the cost and vexation of multiple lawsuits, conserve judicial resources, and, by preventing inconsistent decisions, encourage reliance on adjudication.” (quoting *Allen v. McCurry*, 449 U.S. 90, 94, 101 S.Ct. 411, 414, 66 L.Ed.2d 308 (1980))) ; *Del Mar Avionics, Inc. v. Quinton Instrument Co.*, 836 F.2d 1320 (Fed. Cir. 1987) (recognizing importance of finality in litigation and granting preclusive effect to prior determinations); *Young Engineers v. U.S. Intern. Trade Com’n*, 721 F.2d 1305, 1316 (Fed. Cir. 1983) (where patent infringement claim that serves as basis of section 337 investigation claim that would be barred in second infringement suit, such claim barred in section 337 proceeding).¹¹

dispute on the merits, valuable Court time and litigant resources could be wasted. For example, if preclusive effect is not granted to the ITC determination as affirmed by the Federal Circuit, this Court—and other District Courts—could conceivably engage itself in lengthy patent trials only to have the Federal Circuit follow its original decision in the appeal from the ITC.

¹¹ One learned treatise aptly addresses the policy purpose underlying the concept of finality: “The most purely public purpose served by *res judicata* lies in preserving the acceptability of judicial dispute resolution against the corrosive disrespect that would follow if the same matter were twice litigated to inconsistent results.” Wright, Miller & Cooper, *Federal Practice and Procedure* § 4403 at 12 (1981).

Another problem posed if this Court does not accord preclusive effect to the Federal Circuit affirmance of the ITC determination is justifying such a result in light of *Blonder-Tongue*. In *Blonder-Tongue*, the Supreme Court held that once an issue has been finally adjudicated and a District Court has determined that a patent is invalid, unless the party against whom estoppel is sought can demonstrate that he did not previously have a full and fair opportunity to adjudicate the issue, the question of patent validity cannot be relitigated in any subsequent proceeding. *Blonder-Tongue*, 402 U.S. at 350, 91 S.Ct. at 1453. The Plaintiffs had a full and fair opportunity to adjudicate before the ITC. The rules of procedure closely resemble the Federal Rules of Civil Procedure and basic and fundamental evidentiary principles were observed at the ITC. Moreover, the ITC made adequate factual findings and thus indicated it grasped the technical subject matter and issues in the suit. See *Blonder-Tongue*, 402 U.S. at 333, 91 S.Ct. at 1445 (discussing requirement that trial court make findings indicating comprehension of case to show full and fair opportunity to adjudicate existed). Finally, the Plaintiffs chose to pursue relief at the ITC. *Id.* at 337, 91 S.Ct. at 1447 (in question of whether full and fair opportunity to litigate, court attached importance to fact patentee chose forum to litigate questions). In the instant case, the Federal Circuit has affirmed the ITC determination that the '071 patent is invalid. The Court thus faces the difficult question of why the *Blonder-Tongue* doctrine should not apply to this litigation and thus preclude relitigation of patent validity.¹²

¹² The prior proceeding in *Blonder-Tongue* that led the Supreme Court to find further adjudication was estopped was also appealed. *University of Illinois Foundation v. Winegard Company*, 271 F. Supp. 412 (S.D. Iowa 1967), *aff'd by unanimous decision*, 402 F.2d 125 (8th Cir. 1968), *cert. denied*, 394 U.S. 917, 89 S.Ct. 1191, 22 L.Ed.2d 452 (1969).

Moreover, the Court must consider why preclusive effect could not be granted to the determination of the ITC on patent questions under the doctrine of administrative *res judicata*. The ITC was acting in a judicial capacity when it considered the question involving the validity of the '071 patent, thus, even without the decision of the Federal Circuit, under the precedent of the Supreme Court it initially appears preclusive effect could be given to the ITC determination. See *United States v. Utah Constr. Co.*, 384 U.S. at 422, 86 S.Ct. at 1560 (when administrative agency acts in judicial capacity and resolves disputed issues of fact before it which parties had full and fair opportunity to litigate *res judicata* appropriate); see generally Stein, Mitchell & Mezines, *Administrative Law* § 4.01, at 40-3 (1988) (administrative *res judicata* bars relitigation of same cause of action between same parties or their privies if final judgment on merits; bar extends to relitigation in administrative as well as judicial proceedings).

Having set forth the primary reasons why preclusive effect should be given to the ITC finding of invalidity, the Court now turns to the reasons why the affirmance by the Federal Circuit of the ITC determination does not preclude fresh consideration by this Court of the '071 patent.

The applicable jurisdictional statute for the federal District Courts in patent matters is 28 U.S.C. § 1338 (1982). Congress placed original and exclusive (as to the states) jurisdiction over patent matters in federal District Courts. *Id.*¹³ Appeals of determinations of patent

¹³ In section 1338(a) Congress in part provided: "The district court shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases." The power of Congress to pass patent statutes is derived from Article I, Section VIII, Clause 8 of the Constitution which grants Congress the power "[t]o promote the Progress

questions by federal District Courts may be taken to the Court of Appeals for the Federal Circuit. 28 U.S.C. § 1292(c) (2) (1982).

Original jurisdiction over unfair practices in import trade lies exclusively with the ITC. 19 U.S.C. §§ 1332(b), 1337 (1982).¹⁴ Appeals from ITC decisions must also be taken to the Court of Appeals for the Federal Circuit. 19 U.S.C. § 1337(c) (1982). Section 337 gives the ITC authority to determine patent validity and enforceability questions only for the limited purpose of the administration of section 337. Patent invalidity is a statutory defense rather than a regulatory duty on the part of the ITC. *Corning Glass Works v. U.S. Intern. Trade Com'n*, 799 F.2d 1559, 1566-67 (Fed. Cir. 1986).

The question the ITC examines under section 337 and the question the District Court examines under section 1338 are thus quite different in both form and substance. That is, Congress, in promulgating the jurisdictional parameters for the ITC and the federal District Courts, created two separate jurisdictions to consider two distinct questions: jurisdiction over unfair trade acts lies with the ITC while jurisdiction over the validity, enforceability and infringement of patents lies with the federal District Courts. See *Ashlow Ltd. v. Morgan Const. Co.*, 672 F.2d

of Science and useful Arts, by securing for limited times for Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

¹⁴ Title 19, section 1337(a) of the United States Code provides: Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the commission to exist shall be dealt with, in addition to any other provisions of law, as provided in this section.

371, 375 (4th Cir. 1982) (neither federal court nor ITC may transgress upon jurisdiction of other); *Telectronics Proprietary, Ltd. v. Medtronic, Inc.*, 687 F. Supp. 832, 846 n.42 (S.D.N.Y. 1988) (same); see generally Kaye, Lupo & Lipnian, "The Jurisdictional Paradigm Between the United States International Trade Commission and Federal District Courts", 64 J. Pat. Off. Soc'y 118 (1982) (discussing jurisdictional conflict between ITC and federal District Courts). As this Court stated in a prior proceeding in this action, "[w]hile the ITC makes a 'determination' as to patent issues, it has no jurisdiction to make a binding adjudication in patent matters." *In re Convertible Rowing Exerciser Patent Lit.*, 616 F. Supp. 1134, 1140 (D. Del. 1985).

Other courts have also recognized that ITC determinations as to patent validity have no effect upon the ability of federal courts to hear questions of patent validity in the same case involving the same parties in the context of its exclusive jurisdiction under section 1338. See, e.g., *Union Mfg. Co., Inc. v. Han Baek Trading Co., Ltd.*, 763 F.2d 42, 45 (2d Cir. 1985) (ITC unfair trade practice and trademark determinations are binding but patent findings "properly not accorded *res judicata* effect because the ITC has no jurisdiction to determine patent invalidity except to the limited extent necessary to decide a case otherwise properly before it"); *Telectronics Proprietary Ltd.*, 687 F. Supp. at 846 n.42 (ITC may consider issues of patent validity only to extent such issues impact upon unfair competition claims); *Glasstech, Inc. v. AB Kyro Oy*, 635 F. Supp. 465, 468 (N.D. Ohio 1986) (although ITC proceedings finding patent valid under section 337 not *res judicata*, proper to draw inference based on ITC decision as to probability of success on merits).

The legislative history of the Trade Reform Act of 1974 also expressly limits the intrusion of ITC determi-

nations of patent questions upon the original jurisdiction of the federal District Courts over patent matters.¹⁵

The commission is not, of course, empowered under existing law to set aside a patent as being invalid or to render it unenforceable, and the extent of the Commission's authority under this bill is to take into consideration such defenses and to make findings thereon for the purpose of determining whether § 337 is being violated. . . . The Commission's findings neither purport to be, nor can they be, reargued as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action by a Federal Court should not have a *res judicata* or collateral estoppel effect in cases before such courts.

S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974); 1974 U.S. Code Cong. & Admin. News 7186, 7329.

The ITC therefore possesses strictly limited jurisdiction with regard to patent issues and any such determinations by the ITC have a similarly limited effect in patent matters before the federal District Courts. For this Court to grant preclusive effect to the ITC determination on the '071 patent would be to drastically revise the scope

¹⁵ The statutes relevant to this proceeding provide no guidance in their language as to what preclusive effect any ITC determination should have. Here, a conflict exists between two statutes promulgated by Congress. A determination of legislative intent cannot be made from the statutory language. It is therefore appropriate for the Court to examine the relevant underlying legislative history. *Cf. Garcia v. United States*, 469 U.S. 70, 75, 105 S.Ct. 479, 482, 83 L.Ed.2d 472 *reh'g denied*, 469 U.S. 1230, 105 S.Ct. 1235, 84 L.Ed.2d 371 (1984) (judicial inquiry into legislative history where terms of statute unambiguous only proper in rare and exceptional circumstances); *TVA v. Hill*, 437 U.S. 153, 187 n.33, 98 S.Ct. 2279, 2298 n.33, 57 L.Ed.2d 117 (1978) (same); *Vance v. Hegstrom*, 793 F.2d 1018, 1023 (9th Cir. 1986) ("[t]he plain meaning of the words chosen by Congress is controlling in the absence of a clearly expressed legislative intent.").

of ITC jurisdiction in patent matters granted by Congress. S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974); 1974 Code Cong. & Admin. News 7186, 7329. In order to preserve the jurisdictional structure intended by Congress in patent matters, this Court must deny preclusive effect to the ITC determination.

Upholding the ITC determination as to patent validity by the Federal Circuit similarly does not entitle the ITC determination to preclusive effect. Ordinarily this Court is bound by decisions of the Federal Circuit because it is the court to which appeals on patent issues from the District Courts are taken. 28 U.S.C. § 1292(c)(2) (1982). However, the Federal Circuit has specifically stated that its appellate treatment of ITC determinations as to patent validity does not estop other tribunals from considering anew the question of patent validity. *Tandon Corp. v. U.S. Intern. Trade Com'n*, 831 F.2d 1017, 1019 (Fed. Cir. 1987) (citing *Lannom Mfg. Co., Inc. v. U.S. Intern. Trade Com'n*, 799 F.2d 1572, 1577-78 n.12 (Fed. Cir. 1986)).

The questions on review before the Federal Circuit from the ITC and District Court are different. The Federal Circuit reviews District Court decisions under section 1338 with regard to patent validity, enforceability and infringement; whereas, the Federal Circuit reviews whether the ITC made the correct determination under section 337 as to unfair trade practices in import trade. Thus, this Court cannot properly accord preclusive effect to a Federal Circuit affirmance of an ITC determination when the question on appeal before the Federal Circuit from an ITC determination differs substantially in both form and substance from the question on appeal from a District Court patent adjudication. Also, the legislative history of the Trade Reform Act of 1974 provides that ITC determinations should not estop other federal courts from reviewing the same patent. S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974), 1974 U.S. Code Cong. &

Admin. News 7186, 7329.¹⁶ Therefore, this Court could not properly accord preclusive effect to the ITC determination affirmed by the Federal Circuit.¹⁷

An ITC proceeding under section 337 involving a patent raises questions of unfair trade practices which is distinct in both form and substance from the question before a federal District Court under section 1338; therefore, administrative *res judicata* is inappropriate. See *Union Mfg. Co.*, 763 F.2d at 45 (ITC patent findings “properly not accorded *res judicata* effect because the

¹⁶ This legislative history is not as persuasive as it might seem because its dates from prior to the passage of the Federal Courts Improvement Act which established the Federal Circuit as the appellate court for both patent questions and ITC determinations. However, the Federal Circuit has adopted this legislative history to support its position that appellate treatment of ITC determinations as to patent validity does not estop other tribunals from considering the question of patent validity in a section 1338 proceeding. *Tandon*, 831 F.2d at 1019.

¹⁷ The ITC does not notify the Commissioner of Patents and Trademarks (the “Commissioner”) of the institution of its determinations in section 337 cases involving patents. Also, the Federal Circuit does not notify the Commissioner of the filing of any appeal of an ITC section 337 determination involving a patent or of the Federal Circuit’s judgment in such an appeal. Dkt. 99 (Letter to Court from James A. Toupin, Asst. Gen. Counsel, U.S. International Trade Commission—Amicus Curiae). Under 35 U.S.C. § 290 (1982), courts of the United States must notify the Commissioner of both the filing of a patent action and the judgment entered therein. Section 290 only requires notice with respect to actions under Title 35. 35 U.S.C. § 290. Section 337 proceedings at the ITC are not actions under Title 35; rather, they are administrative proceedings under Title 19. Therefore, no notice of the Commission’s determinations or review thereof is necessary for purposes of providing a record in the U.S. Patent and Trademark Office as to whether a patent remains valid pursuant to Title 35. Dkt. 99. This minor administrative detail supports the conclusion that the ITC and federal District Courts consider completely distinct issues and consequently preclusive effect should not be granted to ITC determinations on patent invalidity even where that determination is affirmed by the Federal Circuit.

ITC has no jurisdiction to determine patent invalidity except to the limited extent necessary to decide a case otherwise properly before it"); *Telectronics Proprietary Ltd.*, 687 F.Supp. at 846 n. 42 (same); *Glasstech, Inc.*, 635 F.Supp. at 468 (although ITC proceedings finding patent valid under section 337 not *res judicata*, proper to draw inferences based on ITC decision as to probability of success on merits); see also *Ashlow Ltd.*, 672 F.2d at 375 (neither federal court nor ITC may transgress upon jurisdiction of other).

The Court similarly rejects application of *Blonder-Tongue* to the case at issue. First, *Blonder-Tongue* cannot apply to the immediate case because the issues litigated at the ITC and affirmed by the Federal Circuit are not the issues this Court will examine on the merits in the instant case. The ITC only considered the patent issue to the extent it needed to exercise its jurisdiction under section 337. The question on the merits in the instant case before this Court will involve solely an inquiry into patent issues under section 1338. See *Union Mfg. Co.*, 763 F.2d at 45; *Telectronics Proprietary Ltd.*, 687 F.Supp. at 846 n. 42; *Glasstech, Inc.*, 635 F.Supp. at 468. The issues the ITC considered and this Court will consider are different in both form and substance; therefore, *Blonder-Tongue* does not apply. Second, *Blonder-Tongue* is not applicable because it precluded relitigation in a District Court of a holding of patent invalidity by another District Court. *Id.* This Court will not extend *Blonder-Tongue* to include a determination of patent invalidity by an administrative agency based upon jurisdiction apart from section 1338.

CONCLUSION

The statements by Congress and the courts as to the effect of ITC determinations under section 337 upon the exclusive jurisdiction of the federal District Courts in patent matters and the stark contrast in both form and

substance between questions on appeal before the Federal Circuit from the ITC and District Court lead this Court to deny Defendants' summary judgment motion. This Court consequently holds that where the ITC makes a determination under section 337 of the Trade Reform Act of 1974 that a patent is invalid and is affirmed by the Federal Circuit, a federal District Court is not estopped from adjudicating the question of the validity of the same patent under its original and exclusive (as to the states) jurisdiction found in 28 U.S.C. § 1338 (1982). An order will be entered denying Defendants' summary judgment motion and staying this action pursuant to 28 U.S.C. § 1292(b) (1982) pending review of the issue resolved in this opinion by the Federal Circuit, assuming the parties appeal the Court's decision.

APPENDIX D

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

Master file No. Misc. 85-14
(MDL Docket No. 623)

IN RE CONVERTIBLE ROWING
EXERCISER PATENT LITIGATION

ORDER

NOW, THEREFORE, for the reasons set forth in the
Court's Opinion issued this date,

IT IS ORDERED that:

1. Defendants Ajay Enterprises Corporation and
Weslo, Inc.'s motion for summary judgment is denied.

2. The action is stayed pursuant to 28 U.S.C. § 1292
(b) (1982) pending review of the issue resolved in this
Opinion by the Court of Appeals for the Federal Circuit,
assuming the parties appeal the Court's ruling.

Aug. 31, 1989

/s/ Joseph J. Longobardi
JOSEPH J. LONGOBARDI, D.J.

APPENDIX E

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

Master file No. Misc. 85-14
(MDL Docket No. 623)

IN RE CONVERTIBLE ROWING
EXERCISER PATENT LITIGATION

AMENDED ORDER

WHEREAS, on August 31, 1989, the Court rendered an opinion on Defendants' motion for summary judgment; and

WHEREAS, the Defendants moved to vacate and modify the Order of August 31, 1989. On September 9, 1989, the Court vacated and recalled its Order of August 31, 1989; and

WHEREAS, the parties having had the opportunity for briefing and the matter having been decided,

IT IS ORDERED that:

1. Defendants' motion for summary judgment filed January 27, 1988, be and the same is denied for the reasons set forth in the Court's Opinion dated August 31, 1989.

2. The motion to amend the Order of August 31, 1989, so as to reflect certification under 28 U.S.C. § 1292(b) is granted.

3. The August 31, 1989, Opinion and this Amended Order based in part on the ruling on the motion to va-

cate and modify dated this same date involves a controlling question of law as to which there is a substantial ground for difference of opinion and an immediate appeal from this amended Order may materially advance the ultimate termination of this litigation.

4. The Defendants may seek appeal under 28 U.S.C. 1292 (b).

5. This action is stayed pending the appeal or until further order of the Court.

10/12/89

/s/ Joseph J. Longobardi
JOSEPH J. LONGOBARDI, D.J.

APPENDIX F

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

Master file No. Misc. 85-14
(MDL Docket No. 623)

IN RE CONVERTIBLE ROWING
EXERCISER PATENT LITIGATION

MEMORANDUM OPINION

On September 7, 1989, the Defendants filed a motion requesting the Court to amend its Order of August 31, 1989. On September 9, 1989, the Court vacated and recalled its Order of August 31, 1989, and awaited briefing on the motion.

The question that is contested is whether the Court should certify to the Federal Court of Appeals what would otherwise be an interlocutory ruling. The decision is one that has not previously been addressed by the Federal Circuit.

The question is a controlling question because, if reversed, the litigation would be precluded in this District Court. Considering the complexity of this patent litigation, the number of parties involved and the multitude of issues that would be affected, the Court is convinced that a disposition of this matter on appeal, one way or another, could materially affect the outcome of this case. It could materially advance the ultimate termination of this litigation.

The Court also finds that there is substantial ground for difference of opinion. There may not be much or any difference of opinion because the legal issue has not been directly ruled upon by the Federal Circuit. Considering, however, the prior law on issue and claim preclusion, a substantial basis for the counter-argument can be made.

The motion to amend is granted.

10/12/89

/s/ Joseph J. Longobardi
JOSEPH J. LONGOBARDI, D.J.

APPENDIX G

UNITED STATES DISTRICT COURT
D. DELAWARE

Civ. A. No. 85-119 MMS
Master File No. Misc. 85-14
MDL No. 623

IN RE CONVERTIBLE ROWING EXERCISER PATENT
LITIGATION

DIVERSIFIED PRODUCTS CORPORATION, *et al.*,
Plaintiffs,

v.

WESLO DESIGN INTERNATIONAL, INC., a Utah Corporation,
Defendant.

July 23, 1985

OPINION

MURRAY M. SCHWARTZ, Chief Judge.

The question presented is whether an order should be entered staying or suspending an ongoing investigation by the United States International Trade Commission ("ITC") under section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337 ("section 337"), by reason of parallel patent litigation in the district court. The investigation was initiated by a complaint filed with the ITC in December, 1984, by Diversified Products Corporation ("Diversified") against ten respondents, one of whom is Weslo

Design International, Inc. ("Weslo"), the movant in these proceedings.

The complaint before the ITC alleges unfair acts and methods of competition in the importation of articles into the United States, or in their sale, the effect or tendency of which is to destroy or substantially injure an efficient and economically operated United States industry. The proceedings center upon the importation and sale in the United States of convertible rowing exercisers¹ which allegedly infringe U.S. Patent No. 4,477,071 (" '071 patent"), issued on October 16, 1984, and a related patent, U.S. Patent No. 4,488,719 (" '719 patent"), issued on December 18, 1984. Docket Item ("Dkt.") 22, Exh. A.

Diversified seeks from the ITC an exclusion order permanently preventing the entry into the United States of convertible rowing exercisers which infringe the claims of the '071 and '719 patents, and a cease and desist order permanently prohibiting the respondents from engaging in unfair competition and selling their existing allegedly infringing convertible rowing exercisers in the United States. *Id.*

The '071 and '719 patents have also generated substantial litigation at the district court level. Soon after the issuance of the '071 patent, plaintiffs Brown Fitzpatrick Lloyd Patent Ltd. and its allegedly exclusive licensee, Diversified Products Corporation (hereafter jointly referred to as Diversified), filed infringement actions against ten defendants in eight different jurisdictions.² On February 13, 1985, the Judicial Panel for

¹ A convertible rowing exerciser permits the user to engage in rowing and a variety of other popular exercises.

² Suits have been filed against the following defendants in the jurisdictions indicated:

Rocket Industries, Inc. (C.D. Calif.)
Roadmaster, Inc. (S.D. Ill.)

Multidistrict Litigation, on motion of Diversified, ordered seven of the actions transferred to the District of Delaware for coordinated or consolidated pretrial proceedings pursuant to 28 U.S.C. § 1407.³

In March, 1985, Diversified filed suit for infringement of the '719 patent against three defendants, all of whom were previously sued on the '071 patent.⁴ These three "tag-along" actions were brought in three separate jurisdictions but have been transferred to this district by order of the Multidistrict Panel.⁵

Weslo has the misfortune of being the only named defendant common to the ITC investigation and the district court patent litigation. Shortly before the Multidistrict Panel transferred the patent action, Weslo had moved to stay discovery and to dismiss the '071 patent action pending against it in the District of Utah on the ground of non-infringement. The fully briefed motion to dismiss

² [Continued]

Columbia Manufacturing Co. (D. Mass.)
 Beacon Enterprises, Inc., and Saw Mill River
 Industries, Inc. (S.D.N.Y.)
 Billard Barbell Co. (E.D. Pa.)
 Walton Manufacturing Co. (N.D. Tex.)
 Weslo Design International, Inc. (D. Utah)
 Ajay Enterprises Corporation (D. Del.)
 Allegheny International Exercise Company (D. Del.)

In addition, a declaratory judgment action was filed in the Northern District of Illinois by Ajay Enterprises Corporation against Diversified. It is anticipated the Illinois action will find its way to this Court for pretrial purposes.

³ Misc. 85-14 MMS, Dkt. 1.

⁴ The '719 defendants and the districts in which they were sued are: Billard Barbell Co. (E.D. Pa.), Weslo Design International, Inc. (D. Utah), and Allegheny International Exercise Company (D. Del.).

⁵ The Panel's conditional order of transfer of the Eastern District of Pennsylvania and District of Utah '719 patent actions became final on May 28, 1985. Misc. 85-14, Dkt. 34.

had been converted to a motion for summary judgment by reason of the filing of affidavits. Transfer occurred before argument was held.⁶

Weslo, as the only active respondent in the ITC investigation, filed a motion with the ITC on March 15, 1985, to suspend the investigation. Dkt. 22, Exh. B. By order dated March 29, 1985, the ITC Administrative Law Judge ("ALJ") suspended proceedings as to Weslo except as a party obligated to produce discovery. *Id.* The suspension order was reviewed and reversed by the ITC on May 1, 1985. Dkt. 33, Exh. 1. The ITC investigation has been in discovery and is currently scheduled for hearing on August 5, 1985, before an ALJ.

Weslo now requests similar relief from this Court. It seeks a halt of the ITC investigation until final disposition of this action. Specifically, Weslo requests an injunction prohibiting Diversified from going forward or participating in the ITC investigation and an order directing Diversified to withdraw without prejudice its ITC complaint until final disposition of the district court patent litigation. Alternatively, it requests a suspension or stay of the ITC investigation "as to Weslo and any and all of its suppliers and/or vendors pending final disposition" of the district court litigation.⁷ Dkt. 22 at 21-22. Analytically, irrespective of the terms used, Weslo seeks two injunctions, either of which for all practical purposes

⁶ Weslo requested that its motion be given a prompt hearing in this Court. Taking a larger view of the entire convertible rowing exerciser litigation, the Court declined for administrative and substantive reasons to hear summary judgment motions on a piecemeal basis where predicated on non-infringement. *Cf. D.M.I. v. Deere & Co.*, 755 F.2d 1570 (Fed. Cir. 1985) (because infringement is a fact issue, a motion for summary judgment should be approached with care "proportioned to the likelihood of its being inappropriate").

⁷ The ITC has intervened in this action for the limited purpose of opposing Weslo's motion to stay or suspend the ITC proceedings. Dkt. 29.

would achieve its goal—an injunction which would cause Diversified to impede or halt the ITC investigation or an injunction directed to the ITC ordering it to suspend its investigation.

ITC investigations, such as *In re Convertible Rowing Exercisers*, are instituted by the ITC either on its own initiative or after receipt of a proper complaint which the ITC has evaluated for its sufficiency. There are three groups of parties to the investigation—complainants, respondents, and the ITC investigative attorney, the latter participating as a full party in all section 337 investigations for the purpose of safeguarding the public interest. If instituted, the section 337 matter is referred to an ALJ who conducts the investigation, including the hearing. *See generally* 19 C.F.R. §§ 201.10-15 (1984). The investigation, conducted in conformity with the Administrative Procedure Act, 5 U.S.C. §§ 551-559 (1982), confers a broad range of rights upon the parties, including, *inter alia*, a period of discovery, the right to present evidence, a hearing on the record, and the right to compel testimony. 19 C.F.R. §§ 210.30-44 (1984). The parties to the investigation may raise “all legal and equitable defenses.” 19 U.S.C. § 1337(c).

JURISDICTION TO ENJOIN THE ITC DIRECTLY

As a threshold matter, the Court must determine whether a federal district court may suspend an ITC investigation or directly enjoin the ITC from going forward with its investigation as to Weslo. Congress did provide that an ITC investigation could be “suspended because of proceedings in a court or agency of the United States involving similar questions concerning the subject matter of such investigation.” 19 U.S.C. § 1337(b)(1). Although the statute is silent as to who may suspend, it is clear from the context that the ITC may suspend its own investigation. In addition, the legislative history indicates that “suspension of proceedings may be under-

taken by the Commission . . . as a result of a court order." Senate Comm. on Finance, U.S. Senate Report on H.R. 10710, Trade Reform Act of 1974, S. Rep. No. 1298, 93d Cong., 2d Sess. 194-95 (1974), *reprinted in* 1974 U.S. Code Cong. & Ad. News 7186, 7326, 7327. The legislative history does not, however, provide any indication of which court, under what circumstances, may order suspension of an ITC proceeding. It follows that the above quoted language from the legislative history is not in itself sufficient evidence that Congress has vested jurisdiction in the district court to suspend an ITC investigation.

Weslo's position is advanced no further if the request for an order of suspension is characterized as an injunction. The issue then becomes whether a federal district court has jurisdiction to enjoin an agency from pursuing its congressionally mandated task. Weslo has pointed to no statute which expressly confers jurisdiction on the Court. Subject matter jurisdiction, if any, must be found in the All Writs Act, 28 U.S.C. § 1651.⁸

The ITC argues a district court does not have jurisdiction under the All Writs Act to enjoin an ongoing ITC proceeding. It correctly observes that Congress has vested in the ITC exclusive jurisdiction over certain practices involving the importation of articles of commerce into the United States and has placed appellate review of the ITC's sphere of activity in the Court of Appeals for the Federal Circuit. The ITC then reasons that since the All Writs Act only endows the court with authority to act in preservation of jurisdiction which it already

⁸ 28 U.S.C. § 1651 provides:

(a) The Supreme Court and all courts established by Act of Congress may issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law.

(b) An alternative writ or rule nisi may be issued by a justice or judge of a court which has jurisdiction.

possesses, the district court remains powerless to attempt to preserve jurisdiction it does not possess.

While having superficial appeal, the ITC position sweeps too wide. The question is not whether the district court may invoke the authority of the All Writs Act to preserve jurisdiction it does not have, but rather whether on these facts there is a need to invoke the Act to preserve jurisdiction which the court *does* have. Clearly a district court may not address certain questions concerning the importation of articles of commerce into the United States. Congress has placed exclusive jurisdiction over such questions in the ITC and a federal district court has no jurisdiction under the All Writs Act to intrude upon the ITC's domain.

The issue here, however, is whether the district court has jurisdiction to enjoin the ITC in aid of its own exclusive jurisdiction over domestic patent matters. Conceivably, ITC proceedings might actively interfere with concurrent patent litigation to such an extent that a federal district court could not effectively exercise its jurisdiction. In those instances, a district court could well be justified in invoking its powers under the All Writs Act. Such an occurrence is unlikely in view of the policy of the ITC to suspend its investigations when there is actual and active interference with ongoing concurrent district court litigation. See *Certain Card Data Imprinters and Components Thereof*, 47 Fed. Reg. 7348 (1982) (suspension of Investigation No. 337-TA-104); *Certain Plastic Fastener Assemblies*, 42 Fed. Reg. 55654 (1977) (suspension of Investigation No. 337-TA-36).

Moreover, there is no indication on this record that the ITC investigation will in any way frustrate or impinge upon federal district court administration of this particular multidistrict litigation. The first pretrial conference was held on May 10, 1985. At that conference August 10, 1986, was established as the discovery termi-

nation date. In contrast, the ITC, mindful of its statutory duty to render a decision within twelve months (eighteen months in more complicated cases), 19 U.S.C. § 1337(b)(1), has scheduled a hearing to commence on August 5, 1985. Regardless of whether the hearing is continued, there appears to be no chance that the ITC proceeding will actively interfere with the conduct of the multidistrict litigation now pending in this district. What is actually at stake here is not the preservation of the district court's jurisdiction, but the protection of Weslo from the inconvenience of responding in two tribunals at the same time. The All Writs Act, however, serves to protect courts and not parties. As a consequence, the All Writs Act provides no basis upon which to exercise jurisdiction and the Court is left without power under these circumstances to directly enjoin, suspend or stay the ITC investigation.

ENJOINING OF DIVERSIFIED

It is argued that if the Court lacks jurisdiction to enjoin the ITC directly, it lacks jurisdiction to enjoin Diversified from pursuing its ITC remedy. In other words, Weslo should not be permitted to accomplish indirectly that which it could not do directly. This argument is too facile. While an injunction against Diversified would represent an interference with the ITC investigation, this fact alone would not be conclusive. The issue here is not the lack of jurisdiction to issue an injunction but the existence of sufficient reason to cause the Court to grant such extraordinary relief.

Central to Weslo's assertion of its right to have Diversified enjoined from pursuing it in the ITC action is its protest against being a named defendant in parallel proceedings. Weslo contends the simultaneous ITC and district court actions include substantially the same factual and legal questions. Weslo objects to the use of two fora to determine the same issues. Specifically, Weslo asserts

the ITC, like the district court, will have the task of determining the validity and enforceability of the '071 and '719 patents, as well as Weslo's alleged infringement of the patent claims. It follows, argues Weslo, that because the issues in both fora are the same, discovery and witnesses will be substantially identical and any relief afforded by the ITC will be inclusive of that sought in the district court. Indeed, urges Weslo, there is no material difference between the ITC and district court matters.

Weslo is partially correct. Whenever a claim of unfair practice in import trade is premised upon infringement of a United States patent, there is an unavoidable overlap of the issues involved in parallel patent proceedings. The ITC is confronted with the necessity for making a "determination" as to the validity, infringement and, if applicable, enforceability of the identical patents which are at issue in the district court. This overlap of issues in the ITC and district court is where the similarity ends. The two proceedings have different jurisdictional foundations, different final adjudications, different purposes, different proof, different time constraints, different remedies, and different issues on appeal.

Differing Jurisdiction

Patent law is based upon article 1, section VIII, clause 8 of the Constitution which grants to Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." Congress placed original jurisdiction over patent actions exclusively in the federal district courts. 28 U.S.C. § 1338(a). Only a federal district court may adjudicate patent validity, enforceability and infringement issues. Appeal of the district court decision may be taken to the Court of Appeals for the Federal Circuit. 28 U.S.C. § 1292(c) (2).

Original jurisdiction over unfair practices in import trade lies exclusively with the ITC. 19 U.S.C. §§ 1332(b), 1337. Appeals from ITC decisions may also be taken to the Court of Appeals for the Federal Circuit. 19 U.S.C. § 1337(c). While the ITC makes a "determination" as to patent issues, it has no jurisdiction to make a binding adjudication on patent matters. Neither a federal district court nor the ITC may transgress upon the jurisdiction of the other. *Ashlow, Ltd. v. Morgan Construction Co.*, 672 F.2d 371, 375 (4th Cir.1982).

Differing Purposes

Given their respective mutually exclusive jurisdictions, it is not surprising each forum makes vastly different adjudications. A district court decides validity, enforceability and infringement of United States patents. The district court determination has no extraterritorial effect.

In contrast, an ITC investigation of allegedly unfair competition based upon patent infringement always contains an international element. The ITC's focus is on preventing importation of the patented article by anyone, foreign or domestic, in competition with a domestic patentee or licensee. If unfair methods of competition are found to injure a patentee in an economically operated United States industry, the ITC may, within its statutory limitations, fashion a remedy to protect United States domestic industry against unfair foreign competition.

Differing Proof and Timing

Proof in a district court patent case always centers on and is limited to validity, enforceability, and infringement. There are no statutory time limits governing patent litigation and often the cases span several years. In many patent cases, including this convertible rowing exerciser multi-district litigation, the trial is bifurcated and the damage issue is postponed until liability is ascertained. See Dkt. 36.

The time constraints upon and determinations made by the ITC are unlike those of the district court. In the absence of a suspension of proceedings, the ITC must determine within twelve months (eighteen months in complicated cases) whether: (1) there are imports into the United States; (2) there is an industry in the United States; (3) there are unfair acts or methods of competition; (4) the effect or tendency of the unfair acts or methods of competition is to destroy or substantially injure the industry; and (5) the industry is efficiently and economically operated. *See* 19 U.S.C. § 1337(a), (b).⁹ If the ITC is unable to make affirmative findings as to each and every component of the injury, it may not, under its limited statutory authority, issue a remedial order. If a remedy is appropriate, the ITC may either order the exclusion of the subject articles from entry into the United States or direct one or more of the parties to cease and desist from the unfair practices.

Before issuing a remedial order, however, the ITC is required to evaluate the impact of such an order on the public interest. Specifically, the ITC must consider the effect of a remedial order "upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers. . . ."

⁹ 19 U.S.C. § 1337(a) provides:

(a) Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the commission to exist shall be dealt with, in addition to any other provisions of law, as provided in this section.

The statutory time period provided in 19 U.S.C. § 1337(b) begins to run upon publication of notice of the investigation in the Federal Register. 19 U.S.C. § 1337(b).

19 U.S.C. § 1337(d), (f) (1). The ITC determination and remedy are then transmitted to the President, who has sixty days in which he may disapprove the ITC's determination or order for "policy reasons." 19 U.S.C. § 1337 (g). If the President approves the ITC determination, a party adversely affected by a final determination of the ITC may appeal to the Court of Appeals for the Federal Circuit within sixty days. 19 U.S.C.A. § 1337(c) (Supp. 1985). The appeal is limited to issues determined by the ITC. *Beloit Corp. v. Valmet Oy*, 742 F.2d 1421 (Fed. Cir.1984).

It is evident from the above discussion that the elements of proof and consequent discovery are far more expansive in the ITC proceeding than in the district court. The two proceedings overlap only insofar as both consider whether there have been unfair acts or methods of valid competition—the district court in the context of determining whether a domestic patent has been infringed, and the ITC in determining whether articles have been imported which infringe a domestic patent. The two fora have in common proof of patent validity, enforceability, infringement, and defenses to the same. Proof on all other issues before the ITC are not relevant to the district court patent inquiry. In short, the adjudication within the exclusive jurisdiction of the district court is but one relevant component of the ITC investigation.

Differing Remedies

A successful plaintiff in a district court infringement action may obtain *in personam* injunctive and monetary relief against a defendant for infringement which occurs in the United States. If the statutory life of the patent has not expired, the district court will generally enjoin future infringement and award damages for past infringement. Compliance with the district court's order is left to the plaintiff to police.

A complainant in an ITC action who successfully establishes an unfair method of competition or unfair act of importation or sale of imported items and otherwise qualifies for a remedial order can normally obtain an exclusion order, 19 U.S.C. § 1337(d), or a cease and desist order, 19 U.S.C. § 1337(f) (1).¹⁰ An exclusion order is typically an *in rem* remedy directing the exclusion from entry into the United States of any infringing product. Since it is directed to exclusion of the product, it is not limited to the respondents named before the ITC. Responsibility for excluding entry into the United States of the offending item is placed upon the Secretary of the Treasury, not the complainant. 19 U.S.C. § 1337(d). An ITC cease and desist order is analogous to a district court injunction in that the ITC respondents are in effect enjoined from further committing the acts enumerated in the ITC complaint or, in appropriate circumstances, are enjoined from selling existing inventories of infringing items.

Differing Issues on Appeal

Prior to passage of the Federal Court's Improvement Act of 1982, Pub.L. No. 97-164, it was recognized that the overlap between the ITC and the district courts with regard to patent matters contained the potential for intriguing problems. See, Kaye, Lupo and Lipman, *The Jurisdictional Paradigm Between the United States International Trade Commission and the Federal District Courts*, 64 J.Pat.Off.Soc'y 118 (1982). The Federal Courts Improvement Act placed jurisdiction to hear appeals from both types of actions in the same court, the Court of Appeals for the Federal Circuit. See 28 U.S.C. § 1295(a) (1), (6).

¹⁰ During the course of an ITC section 337 investigation, the Commission may determine there is reason to believe there is a violation of the statute and may direct that the articles concerned be excluded from entry into the country except under bond. See 19 U.S.C. § 1337(e).

Although appeals must now be taken to the same court, the fact remains that appeals from ITC matters and appeals from district court patent proceedings cover different issues. Such is not surprising, given the differing jurisdictions, purposes, issues, proof and remedies afforded by the two tribunals. Broadly stated, the Court of Appeals for the Federal Circuit may review district court adjudications of patent validity, enforceability and infringement for erroneous findings of fact and errors of law. The issue on appeal from an ITC decision is whether the ITC made the correct determination with respect to unfair practices in import trade, and issued an appropriate remedial order under section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337. Because the question on review from the two fora is different and since the district court has exclusive original jurisdiction over patent matters, it necessarily follows the appellate court cannot render a binding determination on the issues of patent validity, enforceability and infringement on an appeal from the ITC.

Weslo has nevertheless articulated concern about the evolving law of issue preclusion. Weslo contends that the potential for serious intrusion upon the exclusive original jurisdiction conferred by Congress upon the district court is exacerbated by the fact that appeals from the ITC and district court are now heard by the same appellate court. Appeal of the later filed ITC action will in all probability precede any appeal of the district court judgments in the patent actions. The appellate court might well have to pass upon issues of patent validity, enforceability and infringement of the '071 and '719 patents as a component of reviewing an ITC section 337 determination of unfair practices in trade imports. If it does, argues Weslo, when appeal of the district court matter reaches the Court of Appeals for the Federal Circuit, the court might refuse to undo what has already been done on appeal from the ITC matter. *See Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 710 n. 4 (Fed.Cir.1983).

The fact that the law of issue preclusion is evolving does not warrant issuance of an injunction. The Court of Appeals for the Federal Circuit has not as yet applied any preclusion doctrine in this context. Undoubtedly, when the court does consider the preclusive effect of its rulings on an ITC appeal, it will take into account the jurisdictional thicket. The appellate court might well determine that the parties to an ITC proceeding "failed to carry their burden of persuasion in asserting the invalidity of the subject claims," *Stevenson v. International Trade Commission*, 612 F.2d 546, 555 (C.C.P.A.1979), and still conclude on a later appeal from a district court, based on a conceivably different record, that the patent is invalid.¹¹ See *Stevenson v. Sears, Roebuck & Co.*, *supra* (reconciling inconsistent holdings of *Stevenson v. International Trade Commission*, 612 F.2d 546 (C.C.P.A. 1979), and *Stevenson v. Grentec, Inc.*, 652 F.2d 20 (9th Cir.1981), *cert. denied*, 456 U.S. 943, 102 S.Ct. 2008, 72 L.Ed. 465 (1982)). Moreover, given that the Court of Appeals for the Federal Circuit might understandably be reluctant to undo a prior ITC section 337 patent determination, this only means a district court would do well to heed the "red flag." A district court might accordingly demand that trial counsel thoroughly explain 1) the differences in the record; 2) why those differences were not presented to the ITC and to the Court of Appeals for the Federal Circuit; and 3) why the differences should cause a district court to reach a result contrary to that of the Court of Appeals for the Federal Circuit in its review of the ITC ruling. A potential increase of the burden upon the non-prevailing party before the Court of Appeals for the Federal Circuit does not generally warrant issuance of an injunction.

¹¹ Statistics show that since the passage of the Trade Act of 1974, holders of U.S. patents have prevailed on the issue of patent validity in about 65% of the ITC decisions, as compared to 40 to 45% of the district court decisions. See Kaye, Lupo & Lipman, *supra* page 1142, at 118.

In any event, regardless of the outcome of the issue preclusion question, Congress, as the source of this Court's patent jurisdiction and the ITC's jurisdiction, has made the choice to permit an overlap of issues in these two fora. It cannot, therefore, be said that the simultaneous prosecution of an ITC action is an unlawful intrusion upon this court's patent jurisdiction.

Multidistrict Litigation Transfer as a Basis for Injunction

In a further attempt to find a jurisdictional basis for its requested injunctive relief, Weslo points to the multidistrict litigation statute, 28 U.S.C. § 1407, which Diversified has invoked to have proceedings consolidated in the district court. Weslo argues that section 1407, read in conjunction with 19 U.S.C. § 1337, evinces a clear congressional intent against parallel proceedings. Weslo purports to find support for its position in two sentences of the legislative history of section 337:

The provision for the tolling of the running of the time limits provided by this amended section is intended to apply to situations where the section 337 proceedings are suspended due to concurrent proceedings involving similar issues concerning the same subject matter before a court or agency of the United States. Such suspension of proceedings may be undertaken by the Commission as an exercise of its own discretion, or as a result of a court order to the same effect.

S.Rep. No. 1298, 93d Cong., 2d Sess. 194-95 (1974), reprinted in 1974 U.S.Code Cong. & Ad.News 7326, 7327.

The short answer to this assertion is that the multidistrict transfer statute was passed for purposes of judicial economy, and not to frustrate ongoing administrative proceedings. Similarly, the suspension provision of 19 U.S.C. § 1337(b) was not intended to be utilized every time there are parallel proceedings in the ITC and the district court. Suspension should be reserved for

when it is necessary—a policy which the ITC already follows.¹² Suspension is not warranted in this case.

Irreparable Injury

A showing of irreparable injury is almost always essential to obtain injunctive relief. Weslo contends it is suffering irreparable injury by reason of being “bludgeoned with two simultaneous actions,” Dkt. 33 at 12. Specifically, it complains “duplicative” proceedings are resulting in substantial and unnecessary costs,¹³ lost business time, inordinate difficulties for respondent/defense counsel, conflicting protective orders which place counsel in an untenable position, and a denial of due process. None of these factors, considered singly or in combination, constitute irreparable injury.

Congress implicitly recognized that more than one proceeding might result from its statutory scheme. Section 337 expressly provides that “[violations] found by the Commission to exist shall be dealt with, *in addition to any other provisions of law, as provided in this section.*” 19 U.S.C. § 1337(a) (emphasis added). This directive has existed in one form or another since 1922. *See* Act of Sept. 21, 1922, ch. 356, Title III, § 316, 42 Stat. 943. Yet Congress has never acted to prevent simultaneous proceedings despite the obvious possibility that a single party could be involved in parallel litigation.

Moreover, Congress has established a finite period in which the ITC must make its determinations, a period far shorter than the time it typically takes to resolve a district court patent case. Given this statutory time limit, one would assume that if Congress intended that a suspension be granted whenever a patent infringement action

¹² *See supra* page 1139.

¹³ Weslo hints that duplicative litigation costs might bankrupt the company. However, there are no facts of record to support that bankruptcy is imminent as a result of these costs.

is instituted, it would have made the suspension mandatory or directed that district court proceedings be stayed.

The burdens complained of by Weslo are no different than those suffered by anyone who imports or sells an imported article which allegedly infringes a domestic patent. In each such instance there is the potential for exposure to proceedings before both the district court and the ITC. That exposure carries with it unavoidable expenditures of time and money to defend in parallel litigation. The additional burden on a corporation's counsel, or the need to obtain additional counsel, does not constitute irreparable injury which would compel the grant of an injunction to delay an administrative proceeding. The same is applicable to litigation expenses. *Renegotiation Board v. Bannerkraft Clothing Co.*, 415 U.S. 1, 23-24, 94 S.Ct. 1028, 1040-41, 39 L.Ed.2d 123 (1974).

Weslo also urges that conflicting confidentiality orders place it in an untenable position. The confidentiality orders are not, however, conflicting, but merely protect discovery produced in each case. Weslo stresses that, as a practical matter, counsel should not have to compartmentalize what has been learned in each case and should not be subjected to the unnecessary expense of duplicative production. These concerns could conceivably be resolved by seeking modification of the confidentiality order operating in each forum so as to permit relevant patent information to be used irrespective of the proceeding in which it was produced.

Weslo additionally complains it is denied due process because it must proceed in the relatively fast-paced ITC proceeding. Weslo in effect is asserting there is a constitutional entitlement to the overdiscovered, overtried, and consequent glacial pace of district court patent litigation. It has cited no authority for this amazing proposition. Its due process argument is further blunted because the ITC statute provides for a determination made on the record after notice and an opportunity for hearing dur-

ing which all legal and equitable defenses may be presented. 19 U.S.C. § 1337(c). If any constitutional infirmity creeps into the ITC administrative proceedings, the appellate court is well equipped to redress such flaws.

Finally, Weslo contends that if the ITC action is appealed to and decided by the Federal Circuit before the district court has an opportunity to render its decision, Weslo will, in effect, be denied its right to a jury trial on those issues which have been presented in both fora. Weslo's argument presupposes that some theory of issue preclusion will prevent this Court from trying on the merits issues which are similar, though not identical, to issues passed upon by the Federal Circuit on appeal from an ITC determination. That theory has already been rejected in the Court's earlier discussion, based upon the differing exclusive provinces of the district court and the ITC. *See supra* pages 1142-1143. At present, the existence of simultaneous proceedings before the ITC poses only the most tenuous threat to Weslo's right to a jury trial, and is insufficient to satisfy the Court that an injunction is appropriate.

In short, the existence of parallel litigation, without more, confers no right to injunctive relief.

Relative Harm to the Parties and the Public

Weslo urges for the reasons detailed above that it will suffer irreparable harm if an injunction against Diversified is not granted. Other defendants in this multi-district litigation support Weslo's application, presumably fearing the faster moving ITC matter might adversely affect them without affording them an opportunity to participate actively. Diversified, on the other hand, contends it needs protection from foreign imports in an efficiently and economically operated domestic industry in which it was a development leader. Moreover, Diversified asserts protection against infringing importers is not available under the domestic patent law. The short

answer is that the ITC, the statutory representative of the public interest, has determined that interest is best served by continuing the ITC investigation at this time. Nothing has been placed before me which demonstrates the ITC is incorrect in its assesment of the public interest. Similarly, independent of the ITC determination, I am not persuaded that the interest of the public would be better served by issuance of an injunction.

Finally. Weslo urges that this Court should be guided by *Pfizer, Inc. v. International Rectifier Corp.*, 182 U.S.P.Q. 595, 597 (D.Minn.1974), *rev'd on other grounds*, 183 U.S.P.Q. 400 (8th Cir.1974), *reinstated*, 185 U.S.P.Q. 449 (D.Minn.1975). The facts in that case are vastly different from those presented here and the case is distinguishable on that basis alone. To the extent the *Pfizer* case conflicts with this Opinion, I respectfully decline to follow it. Balancing the interests of all parties and the public interest, exercise of my discretion points in only one direction—denial of the injunction. There has been no convincing demonstration that the statutorily authorized ITC investigation should be obstructed by enjoining Diversified. While the Court has found no jurisdiction to enjoin the ITC directly, if the Court possessed such jurisdiction, it would decline to issue the injunction for the reasons that it declines to enjoin Diversified.

APPENDIX H

UNITED STATES INTERNATIONAL
TRADE COMMISSION
Washington, D.C. 20436

Investigation No. 337-TA-212

IN THE MATTER OF CERTAIN CONVERTIBLE
ROWING EXERCISERS

COMMISSION ACTION AND ORDER

Background

On December 5, 1984, Diversified Products Corp. filed a complaint with the Commission alleging unfair methods of competition and unfair acts in the importation and sale of certain convertible rowing exercisers including, *inter alia*, direct infringement of claims 1-3 and 5-18 of U.S. Letters Patent 4,477,071 (the '071 patent) and direct infringement of claims 1-9 of U.S. Letters Patent 4,744,719 (the '719 patent), the effect or tendency of which was to destroy or substantially injure an industry, efficiently and economically operated, in the United States.^{1 2}

¹ By an initial determination (ID) (Order No. 30), issued June 27, 1985, the presiding administrative law judge (ALJ) granted complainant's motion to amend the complaint and notice of investigation by deleting all references to the '719 patent. The Commission determined not to review the ID. *See* 50 F. R. 31052 (1985).

² Pursuant to a prehearing stipulation of the parties, claims 2, 3, 10-13, and 18 of the '071 patent were removed from consideration in the investigation. *See* Finding of Fact No. 33 of the ALJ's initial determination on the merits of the investigation.

On October 18, 1985, the presiding administrative law judge (ALJ) (Judge Mathias) issued an initial determination (ID) on the merits of the investigation. In that ID, he found the '071 patent invalid for anticipation (under 35 U.S.C. § 102) and for obviousness (under 35 U.S.C. § 103).

Action

The Commission has determined to review and reverse the ID on the issue of anticipation of the '071 patent by the prior art device known as the Beacon 3002 rower. The Commission has determined not to review any other portion of the ID.

The ID's findings on anticipation and obviousness are predicated on a prior art device known as the Beacon 3002 rower. The ALJ found that the Beacon 3002 rower anticipates the '071 patent in that the '071 patent reads literally on the Beacon 3002 rower in all respects, save the element of "generally perpendicular," describing the attaching means for the second user support. However, the ALJ found that the Beacon 3002 rower has the "full functional equivalent of the generally perpendicular attachment of the second user support" (ID at 195).

The Commission finds that the law of anticipation does not encompass the concept of functional equivalence. Anticipation requires "the presence in a single prior art reference disclosure of all elements of a claimed invention arranged as in that claim." *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1548 (Fed. Cir. 1983). See also *Kalman v. Kimberly-Clark Corp.*, 713 F.2d 760 (Fed. Cir. 1983), *cert. denied*, 104 S.Ct. 1284 (1984). "It is elementary that an anticipation rejection requires a showing that each limitation of a claim must be found in a single reference, practice or device." *In re Donohue*, 766 F.2d 531, 534 (Fed. Cir. 1985). See also *Studien-gesellschaft Kohle, mbH, v. Dart Industries, Inc.*, 726 F.2d 724, 726-27 (Fed. Cir. 1984); *Ralston-Purina Com-*

pany v. Far-Mar-Co, Inc., 772 F.2d 1570, 1574 (Fed. Cir. 1985). As the claim limitation of "generally perpendicular" is not met by the Beacon 3002 rower, the Beacon 3002 rower cannot anticipate the claims of the patent in controversy.

Accordingly, the Commission has determined to review and reverse the ID on the issue of anticipation. The Commission has further determined not to review any other portion of the ID and, therefore, all portions of the ID other than that concerning anticipation have become the Commission's determination.

Order

Accordingly, it is hereby ORDERED THAT—

1. The Commission grant the petition for review of complainant Diversified Products Corp. on the issue of anticipation of the '071 patent by the Beacon 3002 rower;
2. The ALJ's conclusion that the claims of the '071 patent are invalid as anticipated by the Beacon 3002 rower is reversed; and
3. The Secretary shall serve copies of this Commission Action and Order upon each party of record to this investigation and publish notice thereof in the *Federal Register*.

By order of the Commission.

/s/ Kenneth R. Mason
KENNETH R. MASON
Secretary

Issued: December 5, 1985

CERTIFICATE OF SERVICE

I, Kenneth R. Mason, hereby certify that the attached Notice was served upon the following parties via first class mail and/or air mail where necessary, on December 5, 1985.

/s/ Kenneth R. Mason
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APPENDIX I

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Appeal No. 86-978

DIVERSIFIED PRODUCTS CORP.,
Appellant,

v.

UNITED STATES INTERNATIONAL TRADE COMMISSION,
Appellee,

and

WESLO, INC.,
Intervenor, Appellee

Decided: June 17, 1987

Before FRIEDMAN, *Circuit Judge*, BALDWIN, *Senior
Circuit Judge*,* and BISSELL, *Circuit Judge*.

BALDWIN, *Senior Circuit Judge*.

DECISION

This is an appeal from a final determination of the United States International Trade Commission (Commission) finding no violation of section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337 (section 337) on the

* The Honorable Phillip B. Baldwin assumed Senior Circuit Judge status effective November 25, 1986.

ground that the patent in controversy, U.S. Patent No. 4,447,071 ('071 patent) is invalid under 35 U.S.C. § 103. The final determination was the result of a Commission investigation initiated upon a complaint by Diversified Products Corporation (appellant) alleging unfair acts in the importation into the United States of certain convertible rowing exercisers which were asserted to infringe the '071 patent.¹ The Commission adopted all of the findings and all but one of the legal conclusions drawn in an initial determination of its Administrative Law Judge.² We *affirm* the determination of no violation.

OPINION

The '071 patent, entitled "Convertible Rowing Exercising Apparatus," issued on October 16, 1984 from an application filed on March 14, 1984. The alleged invention was made in April 1982. It relates to a multipurpose exercise device, stably ground supported when the frame is in either a horizontal or vertical position. The device is thus usable alternatively as a conventional rowing machine with its frame horizontal, or as a weight-training type of exerciser with its frame reoriented into a vertical position.

¹ Certain Convertible Rowing Exercisers, Inv. No. 337-TA-212, USITC Pub. No. — (December 1985) (Commission Action and Order).

² On October 18, 1985, an initial determination of no violation of section 337 was made on the basis that the '071 patent is invalid under 35 U.S.C. §§ 102 and 103.

The Commission reversed the initial determination on a single, non-determinative issue: invalidity under section 102. All other factual findings and conclusions of law in the initial determination including section 103 invalidity, were adopted, rendering them reviewable as part of the Commission's final determination. 19 C.F.R. § 210.53(h) (1985). See *Akeo N.V. v. U.S. Int'l Trade Commission*, 808 F.2d 1471, 1476, 231 USPQ 1241, 1243 (Fed. Cir. 1986).

Comprehensive findings were made as to the scope and content of the prior art, the ordinary skill in the art, and as to the differences between the prior art and the patent claims. The most pertinent prior art was a public use of an earlier rowing exerciser. This, the Beacon 3002, was a horizontal rowing exerciser which had incidentally been manufactured with legs so that it could be positioned as a vertically up-ended exerciser. The Commission concluded from corroborated testimony that at least once in 1980 the exerciser had been demonstrated upright at a sales presentation. Based on that evidence, it was concluded that the 1980 use of the upright Beacon 3002 constituted prior art.³

The Commission acknowledged that the Beacon 3002 rower lacked specific structural features recited in the claims of the '071 patent. The differences, however, were found to be "so slight that it would have been well within the abilities of a person of ordinary skill in the art to recognize and make." The Commission thereby concluded that the structure claimed in the '071 patent "is suggested by the prior art."

Appellant alleges error in the Commission's conclusion that a 1980 demonstration had occurred. The principal challenge is to the credibility accorded to testimony of one witness, Mr. Kucera, a wholesale buyer of home exercise equipment. Mr. Kucera testified that he had been present at a 1980 wholesale sales presentation where an upright Beacon 3002 was demonstrated. At this presentation, vertically oriented exercises were performed on the Beacon 3002 for Mr. Kucera. Although Mr. Kucera's testimony was deemed the "only corroborated demonstration of the 3002 rower in an upright position," it was found to substantiate other, less reliable, evidence. Relying upon the cumulative evidence, the Commission found

³ It is uncontested that the 1980 demonstration would have been more than one year prior to the date of the alleged invention, April 1982.

support upon which to base a conclusion of a 1980 public use of the upended Beacon 3002. Appellant asserts that other evidence, including testimony of another witness, Eugene Weiss, contradicts the Commission's conclusion. That evidence, however, does not show that the Commission's findings are not supported by substantial evidence.

Deference in determining the weight and credibility of the evidence should be accorded to the trier of fact, *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 856 (1982). When the fact finder has had the opportunity to observe the demeanor and judge the credibility of witnesses, we may not substitute our judgment for that of the lower tribunal. *Cf. Anderson v. City of Bessemer City, North Carolina*, 470 U.S. 564, 573 (1985). A determination will not be disturbed unless it is inherently improbable or discredited by undisputed fact or physical evidence. When there are two permissible views of the evidence, the factfinder's choice between them cannot be clearly erroneous. This is so even when the findings rest on physical or documentary evidence or inferences from other facts. *Anderson*, 470 U.S. at 574.

Considering all of the arguments regarding witness credibility and inconsistencies in the evidence, we conclude that the Commission conducted an appropriate weighing of the evidence and reached a result which is not inherently improbable or discredited. Therefore, we will not disturb the Commission's findings as to weight and credibility of the evidence.

We further reject appellant's contention that a lack of functional identity or commercial success of the upright Beacon 3002 undermines consideration of the 1980 demonstration toward obviousness. The Beacon 3002 had the demonstrated ability to perform a range of exercises in an upright position and such demonstration rendered obvious the '071 patent claims. A lack of commercial suc-

cess ultimately obtained by the prior art does not preclude a teaching.

Finally, we disagree with the contention that the Commission did not give appropriate weight to its findings on commercial success of the '071 patent in making its obviousness determination. Such secondary considerations were allegedly relegated to a mere "gap-filling" role, an afterthought to the primary obviousness determination. To the contrary, the Commission's determination reflects an adequate consideration of commercial success and other secondary considerations.

APPENDIX J

STATUTORY PROVISION

19 U.S.C. § 1337 (1990) Unfair practices in import trade

(a) Unlawful activities; covered industries; definitions

(1) Subject to paragraph (2), the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section:

(A) Unfair methods of competition and unfair acts in the importation of articles (other than articles provided for in subparagraphs (B), (C) and D)) into the United States, or in the sale by the owner, importer, or consignee, the threat or effect of which is—

(i) to destroy or substantially injure an industry in the United States;

(ii) to prevent the establishment of such an industry; or

(iii) to restrain or monopolize trade and commerce in the United States.

(B) The importation in to the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that—

(i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under Title 17; or

(ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

(C) The importation into the United States, the sale for importation, or the sale within the United

States after importation by the owner, importer, or consignee, of articles that infringe a valid and enforceable United States trademark registered under the Trademark Act of 1946.

(D) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of a semiconductor chip product in a manner that constitutes infringement of a mask work registered under chapter 9 of Title 17.

(2) Subparagraphs (B), (C), and (D) of paragraph (1) apply only if an industry in the United States, relating to the articles protected by the patent, copyright, trademark or mask work concerned, exists or is in the process of being established.

(3) For purposes of paragraph (2), an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, or mask work concerned—

- (a) significant investment in plant or equipment;
- (b) significant employment of labor and capital;
- or
- (c) substantial investment in its exploitation including engineering, research and development, or licensing.

(4) For the purpose of this section, the phrase "owner, importer, or consignee" includes any agent of the owner, importer or consignee.

(b) Investigation of violations by Commission; time limits

(1) The Commission shall investigate any alleged violation of this section on complaint under oath or upon its initiative. Upon commencing any such investigation, the

Commission shall publish notice thereof in the Federal Register. The Commission shall conclude any such investigation, and make its determination under this section, at the earliest practicable time, but not later than one year (18 months in more complicated cases) after the date of publication of notice of such investigation. The Commission shall publish in the Federal Register its reasons for designating any investigation as a more complicated investigation. For purposes of the one-year and 18-month periods prescribed by this subsection, there shall be excluded any period of time during which such investigation is suspended because of proceedings in a court or agency of the United States involving similar questions concerning the subject matter of such investigations.

(2) During the course of each investigation under this section, the Commission shall consult with, and seek advice and information from, the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and such other departments and agencies as it considers appropriate.

(3) Whenever, in the course of an investigation under this section, the Commission has reason to believe, based on information before it, that a matter, in whole or in part, may come within the purview of section 1303 of this title or of part II of subtitle IV of this chapter, it shall promptly notify the Secretary of Commerce so that such action may be taken as is otherwise authorized by such section and such Act. If the Commission has reason to believe the matter before it is based solely on alleged acts and effects which are within the purview of section 1303, 1671 or 1673 of this title, it shall terminate, or not institute, any investigation into this matter. If the Commission has reason to believe the matter before it is based in part on alleged acts and effects which are within the purview of section 1303, 1671 or 1673 of this title, and in part on alleged acts and effects which may, inde-

pendently from or in conjunction with those within the purview of such section, establish a basis for relief under this section, then it may institute or continue an investigation in to the matter. If the Commission notifies the Secretary of the administering authority (as defined in section 1677(1) of this title) with respect to a matter under this paragraph, the Commission may suspend its investigation during the time the matter is before the Secretary or administering authority for final decision. For purposes of computing the 1-year or 18-month periods prescribed by this subsection, there shall be excluded such period of suspension. Any final decision of the Secretary under section 1303 of this title or by the administering authority under section 1671 or 1673 of this title with respect to the matter within such section 1303, 1671 or 1673 of this title of which the Commission has notified the Secretary or administering authority shall be conclusive upon the Commission with respect to the issue of less-than-fair-value sales or subsidization and the matters necessary for such decision.

(c) Determinations; review

The Commission shall determine, with respect to each investigation conducted by it under this section, whether or not there is a violation of this section, except that the Commission may, by issuing a consent order or on the basis of a settlement agreement, terminate such investigation, in whole or in part, without making such a determination. Each determination under subsection (d) or (e) of this section shall be made on the record after notice and opportunity for a hearing in conformity with provisions of subchapter II of chapter 5 of Title 5. All legal and equitable defenses may be presented in all cases. Any person adversely affected by a final determination of the Commission under subsection (d), (e), (f), or (g) of this section may appeal such determination, within 60 days after the determination becomes final, to the

United States Court of Appeals for the Federal Security for review in accordance with chapter 7 of Title 5. Notwithstanding the foregoing provisions of this subsection Commission determinations under subsections (d), (e), (f) and (g) of this section with respect to its findings on the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, the amount and nature of bond, or the appropriate remedy shall be reviewable in accordance with section 706 of Title 5.

Exclusion of articles from entry

(d) If the Commission determines, as a result of an investigation under this section, that there is violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry.

(e) Exclusion of articles from entry during investigation except under bond; procedures applicable; preliminary relief

(1) If, during the course of an investigation under this section, the Commission determines that there is reason to believe that there is a violation of this section, it may direct that articles concerned, imported by any person with respect to whom there is reason to believe that such person is violating this section, be excluded

from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry, except that such articles shall be entitled to entry under bond determined by the Commission and prescribed by the Secretary.

(2) A complainant may petition the Commission for the issuance of an order under this subsection. The Commission shall make a determination with regard to such petition by no later than the 90th day after the date on which the Commission's notice of investigation is published in the Federal Register. The Commission may extend the 90-day period for an additional 60 days in a case it designates as a more complicated case. The Commission shall publish in the Federal Register its reasons why it designated the case as being more complicated. The Commission may require the complainant to post a bond as a prerequisite to the issuance of an order under this subsection.

(3) The Commission may grant preliminary relief under this subsection or subsection (f) of this section to the same extent as preliminary injunctions and temporary restraining orders may be granted under the Federal Rules of Civil Procedure.

(f) Cease and desist orders; civil penalty for violation of orders

(1) In addition to, or in lieu of, taking such action under subsection (d) or (e) of this section, the Commission may issue and cause to be served on any person

violating this section, or believed to be violating this section, as the case may be, an order directing such person to cease and desist from engaging in the unfair methods or acts involved, unless after considering the effect of such order upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such order should not be issued. The Commission may at any time, upon such notice and in such manner as it deems proper, modify or revoke any such order, and, in the case of a revocation, may take action under subsection (d) or (e) of this section, as the case may be.

(2) Any person who violates an order issued by the Commission under paragraph (1) after it has become final shall forfeit and pay to the United States a civil penalty for each day on which an importation of articles, or their sale, occurs in violation of the order of not more than the greater of \$100,00 (sic: this figure was in the 1990 rev.—should it read \$10,000, the figure listed in the 1982 version?) or twice the domestic value of the articles entered or sold on such day in violation of the order. Such penalty shall accrue to the United States and be recovered for the United States in a civil action brought by the Commission in the Federal District Court for the District of Columbia or for the district in which the violation occurs. In such actions, the United States district courts may issue mandatory injunctions incorporating the relief sought by the Commission as they deem appropriate in the enforcement of such final orders of the Commission.

(g) Exclusion from entry or cease and desist order; conditions and procedures applicable

If—

(A) a complaint is filed against a person in this section;

(B) the complaint and a notice of investigation are served on the person;

(C) the person fails to respond to the complaint and a notice or otherwise fails to appear to answer the complaint and notice;

(D) the person fails to show good cause why the person should not be found in default; and

(E) the complainant seeks relief limited solely to that person;

the commission shall presume the facts alleged in the complaint to be true and shall, upon request, issue an exclusion from entry or a cease and desist order, or both, limited to that person unless, after considering the effect of such exclusion or order upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, the Commission finds that such exclusion or order should not be issued.

(2) In addition to the authority of the Commission to issue a general exclusion from entry of articles when a respondent appears to contest an investigation concerning a violation of the provisions of this section, a general exclusion from entry of articles, regardless of the source or importer of the articles, may be issued if—

(A) no person appears to contest an investigation concerning a violation of the provisions of this section, and

(B) such a violation is established by substantial, reliable, and probative evidence.

(h) Sanctions for abuse of discovery and abuse of process

The Commission may by rule prescribe sanctions for abuse of discovery and abuse of process to the extent

authorized by Rule 11 and Rule 37 of the Federal Rules of Civil Procedure.

(i) Forfeiture

(1) In addition to taking action under subsection (d) of this section, the Commission may issue an order providing that any article imported in violation of the provisions of this section be seized and forfeited to the United States if—

(A) the owner, importer, or consignee of the article previously attempted to import the article into United States;

(B) the article was previously denied entry into the United States by reason of an order issued under subsection (d) of this section; and

(C) upon such previous denial of entry, the Secretary of the Treasury provided the owner, importer, or consignee of the article written notice of—

(i) such order, and

(ii) the seizure and forfeiture that would result from any further attempt to import the article into the United States.

(2) The Commission shall notify the Secretary of the Treasury of any order issued under this subsection and, upon receipt of such notice, the Secretary of the Treasury shall enforce such order in accordance with the provisions of this section.

(3) Upon the attempted entry of articles subject to an order issued under this subsection, the Secretary of the Treasury shall immediately notify all ports of entry of the attempted importation and shall identify the persons notified under paragraph (1) (C).

(4) The Secretary of the Treasury shall provide—

(A) the written notice described in paragraph (1)

(C) to the owner, importer, or consignee of any

article that is denied entry into the United States by reason of an order issued under subsection (d) of this section; and

(B) a copy of such written notice to the Commission.

(j) Referral to President

(1) If the Commission determines that there is a violation of this section, or that, for purposes of subsection (e) of this section, there is reason to believe that there is such a violation, it shall—

(A) publish such determination in the Federal Register, and

(B) transmit to the President a copy of such determination and the action taken under subsection (d), (e), (f), (g), or (i) of this section, with respect thereto, together with the record upon which such determination is based.

(2) If, before the close of the 60-day period beginning on the day after the day on which he receives a copy of such determination, the President, for policy reasons, disapproves such determination and notifies the Commission of his disapproval, then, effective on the date of such notice, such determination and the action taken under subsection (d), (e), (f), (g), or (i) of this section with respect thereto shall have no force or effect.

(3) Subject to the provisions of paragraph (2) such determination shall, except for purposes of subsection (c) of this section, be effective upon publication thereof in the Federal Register, and the action taken under subsection (d), (e), (f), (g), or (i) of this section with respect thereto shall be effective as provided in such subsections, except that articles directed to be excluded from entry under subsection (d) of this section or subject to a cease and desist order under subsection (f) of this section shall be entitled to entry under bond determined

by the Commission and prescribed by the Secretary until such determination becomes final.

(4) If the President does not disapprove such determination within such 60-day period, or if he notifies the Commission before the close of such period that he approves such determination, then, for purposes of paragraph (3) and subsection (c) of this section such determination shall become final on the day after the close of such period or the day on which the President notifies the Commission of his approval, as the case may be.

(k) Period of effectiveness; termination of violation or modification or rescission of exclusion order

(1) Except as provided in subsection (f) and (j) of this section, any exclusion from entry or order under this section shall continue in effect until the Commission finds, and in the case of exclusion from entry notifies the Secretary of the Treasury, that the conditions which led to such exclusion from entry or order no longer exist.

(2) If any person who has previously been found by the Commission to be in violation of this section petitions the Commission for a determination that the petitioner is no longer in violation of this section or for a modification or rescission of an exclusion from entry or order under subsection (d), (e), (f), (g), or (i) of this section—

(A) the burden of proof in any proceeding before the Commission regarding such petition shall be on the petitioner; and

(B) relief may be granted by the Commission with respect to such petition—

(i) on the basis of new evidence or evidence that could not have been presented at the prior proceeding, or

(ii) on grounds which would permit relief from a judgment or order under the Federal Rules of Civil Procedure.

(l) Importation by or for United States

Any exclusion from entry or order under subsection (d), (e), (f), (g), or (i) of this section, in cases based on a proceeding involving a patent, copyright, or mask work under subsection (a) (1) of this section, shall not apply to any articles imported by and for the use of the United States, or imported for, and to be used for, the United States with the authorization or consent of the Government. Whenever any article would have been excluded from entry or would not have been entered pursuant to the provisions of such subsections but for the operation of this subsection, an owner of the patent, copyright, or mask work adversely affected shall be entitled to reasonable and entire compensation in an action before the United States Claims Court pursuant to the procedures of section 1498 of Title 28.

(m) Definition of United States

For purposes of this section and sections 1338 and 1340 of this title, the term "United States" means the customs territory of the United States as defined in general note 2 of the Harmonized Tariff Schedule of the United States.

(n) Disclosure of confidential information

(1) Information submitted to the Commission or exchanged among the parties in connection with proceedings under this section which is properly designated as confidential pursuant to Commission rules may not be disclosed (except under a protective order issued under regulation of the Commission which authorized limited disclosure of such information) to any person (other than a person described in paragraph (2) without the consent of the person submitting it.

(2) Notwithstanding the prohibition contained in paragraph (1), information referred to in that paragraph may be disclosed to—

(A) an officer or employee of the Commission who is directly concerned with carrying out the investigation in connection with which the information is submitted, (B) an officer or employee of the United States Government who is directly involved in the review under subsection (j) of this section, or (C) an officer or employee of the United States Customs Service who is directly involved in administering an exclusion from entry under this section resulting from the investigation in connection with which the information is submitted.